

Combined Financial Statements and Auditors' Report of

TIDES CANADA

December 31, 2008

TIDES CANADA

Combined Financial Statements

Year ended December 31, 2008

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Auditors' Report

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To the Members of

***Tides Canada Foundation and Tides Canada Initiatives Society
("Tides Canada")***

We have audited the combined statement of financial position of Tides Canada as at December 31, 2008 and the combined statements of operations, changes in fund balances and cash flows for the year then ended. These combined financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position for the entity as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Vancouver, Canada
April 3, 2009

Chartered Accountants

Audit • Tax • Advisory

Grant Thornton LLP, A Canadian Member of Grant Thornton International Ltd

TIDES CANADA

Combined Statement of Financial Position

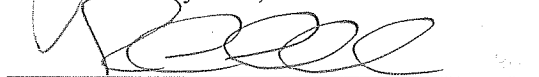
December 31, 2008

	2008	2007
ASSETS		
Cash	\$ 1,335,339	\$ 2,601,765
Term deposits	7,760,110	2,687,688
Accounts receivable	686,536	797,087
Prepaid expenses	83,665	103,312
Investments (Note 5)	19,477,297	38,274,433
Donated assets (Note 6)	819,762	819,762
Property and equipment (Note 7)	1,390,277	268,647
TOTAL ASSETS	\$ 31,552,986	\$ 45,552,694
LIABILITIES		
Accounts payable & accrued liabilities	\$ 455,336	\$ 398,662
Deferred capital contribution	922,000	-
TOTAL LIABILITIES	1,377,336	398,662
FUND BALANCES		
General	2,191,272	2,215,230
Restricted	21,997,245	42,154,582
Endowment	5,987,133	784,220
TOTAL FUND BALANCES	30,175,650	45,154,032
TOTAL LIABILITIES AND FUND BALANCES	\$ 31,552,986	\$ 45,552,694

COMMITMENTS (Note 8)

APPROVED BY:


James Morrissey FCA, Treasurer


Ross McMillan, President and CEO

See the accompanying notes to the combined financial statements.

TIDES CANADA

Combined Statement of Operations

Year Ended December 31, 2008

	General	Restricted	Endowments	2008 Total	2007 Total
REVENUES					
Support grants and earned income	\$ 128,366	\$ -	\$ -	\$ 128,366	\$ 348,776
Other grants and donations	276,953	31,566,821	5,374,957	37,218,731	45,395,608
Investment and other revenue	858,818	351,631	48,410	1,258,859	870,260
TOTAL REVENUES	1,264,137	31,918,452	5,423,367	38,605,956	46,614,644
EXPENSES					
General and administrative (Note 9)	978,905	1,412,710	21,150	2,412,765	1,642,194
Grant and program expenditures	141	47,280,741	7,543	47,288,425	12,899,837
TOTAL EXPENSES	979,046	48,693,451	28,693	49,701,190	14,542,031
EXCESS OF REVENUES OVER EXPENSES	\$ 285,091	\$(16,774,999)	\$ 5,394,674	\$(11,095,234)	\$32,072,613

See the accompanying notes to the combined financial statements.

TIDES CANADA

Combined Statement of Changes in Fund Balances

Year Ended December 31, 2008

	General	Restricted	Endowments	2008 Total	2007 Total
FUND BALANCES, BEGINNING OF YEAR	\$ 15,761,994	\$ 28,607,818	\$ 784,220	\$ 45,154,032	\$ 13,130,744
FUND RECLASSIFICATION (NOTE 10)	(13,546,764)	13,546,764	-	-	-
RESTATED FUND BALANCES, BEGINNING OF YEAR	2,215,230	42,154,582	784,220	45,154,032	13,130,744
EXCESS OF REVENUES OVER EXPENSES	285,091	(16,774,999)	5,394,674	(11,095,234)	32,072,613
INTERFUND TRANSFERS	16,025	(119,054)	103,029	-	-
UNREALIZED LOSS ON INVESTMENTS	(325,074)	(3,263,284)	(294,790)	(3,883,148)	(49,325)
FUND BALANCES, END OF YEAR	\$ 2,191,272	\$ 21,997,245	\$ 5,987,133	\$ 30,175,650	\$ 45,154,032

See the accompanying notes to the combined financial statements.

TIDES CANADA

Combined Statement of Changes in the General Fund Balances

Year Ended December 31, 2008

	Unrestricted	Internally Restricted			2008
	Operating Funds	Restricted for Future Operations	Restricted for grantmaking	Invested in Property and Equipment	General Fund Total
FUND BALANCES, BEGINNING OF YEAR	\$ 526,168	\$ 1,240,448	\$ 13,736,679	\$ 258,699	\$ 15,761,994
FUND RECLASSIFICATION (NOTE 10)	122,221	66,708	(13,736,679)	986	(13,546,764)
RESTATED FUND BALANCES, BEGINNING OF YEAR	648,389	1,307,156	-	259,685	2,215,230
EXCESS OF REVENUES OVER EXPENSES	(42,016)	327,107	-	-	285,091
UNREALIZED LOSSES ON INVESTMENTS	(477,316)	152,242	-	-	(325,074)
TRANSFERS IN RESPECT OF PROPERTY AND EQUIPMENT					
Acquisition of Property and Equipment, net of deferred capital contribution	(218,870)	-	-	218,870	-
Depreciation charged to operations	41,364	-	-	(41,364)	-
INTERFUND TRANSFERS	47,100	(31,075)	-	-	16,025
FUND BALANCES, END OF YEAR (NOTE 4)	\$ (1,349)	\$ 1,755,430	\$ -	\$ 437,191	\$ 2,191,272

See the accompanying notes to the combined financial statements.

TIDES CANADA

Combined Statement of Cash Flows

Year Ended December 31, 2008

	2008	2007
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ (11,095,234)	\$ 32,072,613
Adjust for items not requiring cash:		
Amortization	49,699	33,085
Changes in:		
Accounts receivable	110,551	(220,638)
Prepaid expenses	19,647	(43,182)
Accounts payable & accrued liabilities	56,674	83,314
Net cash (used in) provided by operating activities	(10,858,663)	31,925,192
INVESTING ACTIVITIES		
Term deposits	(5,072,422)	(1,417,356)
Investments	14,913,988	(28,646,560)
Purchase of property and equipment	(1,171,329)	(263,224)
Net cash provided by (used in) investing activities	8,670,237	(30,327,140)
FINANCING ACTIVITIES		
Deferred capital contribution	922,000	-
Net cash provided by financing activities	922,000	-
(DECREASE) INCREASE IN CASH	(1,266,426)	1,598,052
CASH, BEGINNING OF YEAR	2,601,765	1,003,713
CASH, END OF YEAR	\$ 1,335,339	\$ 2,601,765
Supplementary cash flow information:		
Decrease in fund held in trust released during the year	-	(6,744,687)

See the accompanying notes to the combined financial statements.

TIDES CANADA

Notes to the Combined Financial Statements

December 31, 2008

1. PURPOSES OF THE ORGANIZATIONS

Tides Canada Foundation (Tides) and Tides Canada Initiatives Society (TCI), formerly the Sage Foundation, (operating jointly as 'Tides Canada') are registered non-profit societies and registered charities under the Income Tax Act. Neither Tides nor TCI are taxable under the Federal Income Tax Act.

Tides is a Public Foundation and receives grants and donations from individuals, foundations, and corporations. The distribution of funds for philanthropic purposes is primarily through the direct operation of a grant making program. Tides mission is to create partnerships with donors and charitable organizations to grow and organize resources for social change and environmental sustainability.

TCI is an Operating Charity, and receives grants and donations from individuals, foundations and corporations. TCI distributes funds through the direct operation of Programs to further its mission which is to develop and carry on programs that encourage social and environmental sustainability, educate the public about environmental issues, and provide access to information, services, resources and products to help facilitate individuals and organizations to make positive changes in consumption and lifestyle alternatives.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) *Principles of Combination*

In April 2005 the members of Tides and TCI decided to operate the two organizations under common control. From that date TCI and Tides have had, with one exception, the same members and board. Consequently the financial statements have been prepared as if the two Foundations were a single organization by the aggregation of their respective financial statements and the elimination of transactions and balances between them.

(b) *Fund accounting*

The Foundations follow the restricted fund method of accounting for contributions.

General Fund

This fund is used to manage and report amounts including earned income, grants, donations and investment income, to be used to support the Foundation's grant making activities and operations. The donors have placed no restrictions on the use of these funds; the Board of Directors determines the distribution of grants.

TIDES CANADA

Notes to the Combined Financial Statements

December 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Fund

Contributions are restricted for specific purposes by donor-imposed stipulations. Investment income earned on resources of the restricted funds is reported in the Restricted Fund or in the General Fund, dependant on restrictions imposed by the contributors of restricted funds.

Endowment Fund

These amounts represent donations that have been restricted as 10 year gifts. Investment income earned on resources of the endowments is reported in the Endowment Fund or in the General Fund, dependant on any restrictions imposed by the contributors of funds for endowment.

(c) *Revenue recognition*

Unrestricted grants and donations are recognized as revenue of the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Investment income is recognized as revenue when earned. Restricted grants and donations are recognized as revenue of the appropriate Restricted Fund or Endowment Fund.

(d) *Donated Assets*

Donated assets are recognized only when a fair value can be reasonably estimated and when the goods and services are used in the normal course of the Foundations' operations and would otherwise have been purchased.

(e) *Financial Instruments*

Effective January 1, 2007 the Foundations adopted The Canadian Institute of Chartered Accountants Handbook Sections 3855, Financial Instruments - Recognition and Measurement and 3861, Financial Instruments – Presentation and Disclosure.

The Foundations have classified their financial instruments as follows:

- Cash as held for trading (measured at fair value through the statement of operations)
- Accounts receivable as loans and receivables (measured at amortized cost using the effective interest method)
- Investments as available for sale (measured at fair value on the Balance Sheet - Adjustments to fair value are recorded to Fund Balances)

TIDES CANADA

Notes to the Combined Financial Statements

December 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (continued)

- Donated assets as available for sale equity instruments without a quoted market price in an active market (measured at cost)
- Accounts payable as other financial liabilities (measured at amortized cost using the effective interest method)

The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's length transaction between knowledgeable and willing parties under no compulsion to act. Fair values are determined by reference to quoted bid or ask prices, as appropriate. Where bid and ask prices are unavailable, management uses the closing price of the most recent transaction of that instrument.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and short term cash deposits with maturities of 3 months or less and bank overdrafts repayable on demand.

(g) Property and equipment

Property and equipment are recorded at cost and are amortized on a straight-line basis over the estimated useful lives of assets as follows:

Computer Software	3 years
Enterprise Computer Software	5 years
Furniture and equipment	3 - 6 years
Leasehold Improvements	over the remaining term plus one renewal option of the lease

(h) Operating cost allocations

Operating costs are allocated to the General Fund, the Restricted Fund and the Endowment Fund based on estimates made by the Foundation's Management.

TIDES CANADA

Notes to the Combined Financial Statements

December 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) *Foreign currency translation*

Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Non-monetary items are translated at the rate in existence at the time the asset was acquired or the liability was realized. Revenue and expenses are translated at the rate prevailing at the time of the transaction.

(k) *Comparative figures*

Prior year comparative figures have been reclassified to conform to the presentation adopted in the current year.

TIDES CANADA

Notes to the Combined Financial Statements

December 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) *Change in Accounting policies*

Effective January 1, 2008 Tides Canada adopted the following new accounting standards:

(a) Capital management

CICA Handbook Section 1535 Capital Disclosures requires the disclosure of both qualitative and quantitative information that enables users of the financial statements to evaluate the Foundation's objectives, policies and process for managing capital. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements and (iv) if it has not complied with the consequences of such non-compliance. Tides Canada has included disclosures recommended by Section 1535 in Note 4.

(b) General standards of financial statement presentation

CICA revised Handbook Section 1400 General Standards of Financial Statement Presentation provides additional guidance related to management's assessment of the entity's ability to continue as a going concern. Management believes the entity is able to continue as a going concern for the foreseeable future.

(m) *Future accounting standards*

The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862 Financial Instruments – Disclosure and Section 3863 Financial Instruments – Presentation are effective for not for profit organizations fiscal periods beginning on or after October 1, 2008. Section 3862 requires the disclosure of information with regard to the significance of financial instruments for the Foundation's financial position and performance, and the nature and extent of risks arising from financial instruments to which the Foundation is exposed during the year and at the balance sheet date, and how the Foundation manages those risks. Section 3863 establishes standards for presentation of financial instruments and non financial derivatives. It deals with the classification of financial instruments from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and liabilities are offset.

Recent amendments to CICA Handbook Section 4400 Financial Statement Presentation by Not-for-Profit Organizations will modify the requirements with respect to various elements of financial statement presentation. These amendments include:

TIDES CANADA

Notes to the Combined Financial Statements

December 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) *Future accounting standards (continued)*

- reporting certain revenues' gross in the statement of revenues and expenditures;
- making Section 1540 Cash Flow Statements applicable to not-for-profit organizations;
- amortizing capital assets reported as assets in the balance sheet, regardless of the size of the organization;
- when a not-for-profit organization classifies its expenses by function and allocates some of its fundraising and general support costs to another function, disclosing the policy adopted for expenses and amounts allocated from each of these two functions to other functions; and
- the elimination of the requirement to treat net assets invested in capital assets as a separate component of net assets.

Section 4460 Disclosure of Related Party Transactions by Not-for-Profit Organizations has been amended to align the definition of related parties to CICA 3840 Related Party Transactions. Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or significant influence. Two not-for-profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members.

Section 4470 Disclosure of Allocated Expenses by Not-for-Profit Organizations establishes disclosure standards for a not-for-profit organization that classified its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

These standards will be effective for the Foundation's 2009 fiscal year end. Management does not expect the adoption of these sections to have a material effect on the Foundation's financial statements.

3. FINANCIAL INSTRUMENTS

Fair values

The Foundations' financial instruments include cash, accounts receivable, investments; donated assets, accounts payable and accrued liabilities. Unless otherwise noted, the estimated fair value of the Foundations' financial instruments approximates their carrying value.

TIDES CANADA

Notes to the Combined Financial Statements

December 31, 2008

3. FINANCIAL INSTRUMENTS (Continued)

Market and credit risk

The risks associated with the Investments are the risks associated with the securities which are invested. The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions. The value of securities will vary with developments within the specific companies or governments which issue the securities.

Interest rate risk

The value of fixed income securities will generally rise if interest rates fall and decrease if interest rates rise. Changes in interest rates may also affect the value of equity securities.

Foreign currency risk

The value of securities denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated.

4. CAPITAL MANAGEMENT

Tides Canada's capital consists of general, restricted, and endowment fund capital totaling \$30,175,650 as detailed in the combined statement of changes in fund balances.

The primary objectives when managing capital are to safeguard the sustainability of the organization, to provide sufficient capital to maintain operations, manage risks, and to effectively fund the environmental and social justice projects and activities for the common good.

Tides Canada manages capital through the regular monitoring of cash flows by maintaining sufficient cash levels, reviewing changes in cash levels, grant requirements, projections of donation revenues, and monthly financial results.

As a result of certain covenants, Tides Canada has restrictions on endowments and restricted funds. For endowments, the capital is designated by donors to be held for periods of at least 10 years. For restricted funds, contributions are restricted for specific purposes by the donor.

TIDES CANADA

Notes to the Combined Financial Statements

December 31, 2008

5. INVESTMENTS

Investments were comprised of the following at December 31:

	<u>2008</u>	<u>2007</u>
Money market	\$ 4,427,005	\$ 22,814,200
Equity	13,630,690	9,914,187
Balanced	1,419,602	5,546,046
TOTAL INVESTMENTS	\$ 19,477,297	\$ 38,274,433

6. DONATED ASSETS

	<u>2008</u>	<u>2007</u>
Unlisted Securities	\$ 49,816	\$ 49,816
Limited Partnership interest	769,946	769,946
TOTAL DONATED ASSETS	\$ 819,762	\$ 819,762

The unlisted securities consist of 11,975 Common shares of Michael Jantzi Research Associates Inc, which represents a 5% interest in the company.

The Limited Partnership Interest consists of 25 of 100 Class A Units of the Naramata Ranch Limited Partnership in land and recorded as its fair value at the time of when they were received. The fair market value as at December 31, 2008 is not readily determinable therefore the asset is recorded at cost. The land will be utilized to establish a self-sustaining model for a Naramata Conservation Charity.

TIDES CANADA

Notes to the Combined Financial Statements

December 31, 2008

7. PROPERTY AND EQUIPMENT

Property and equipment from the General and Restricted Funds are comprised of the following at December 31:

	2008		2007	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	\$ 398,874	\$ 60,781	338,093	\$ 178,392
Furniture and equipment	325,970	234,803	91,167	87,626
Leasehold improvements	1,070,889	109,872	961,017	2,629
TOTAL PROPERTY AND EQUIPMENT	\$ 1,795,733	\$ 405,456	\$ 1,390,277	\$ 268,647

\$31,086 (2007 \$8,962) is invested in property and equipment that was funded by external contributions and has been included in restricted funds.

During the year, leasehold improvements of \$922,000 were gifted to Tides Canada. Accordingly, the deferred capital contribution will be recognized over ten years to coincide with the amortization of the leasehold improvements.

8. COMMITMENTS

Tides Canada has entered into operating leases for office space. There are four lease commitments maturing in 2009, five leases maturing in 2010, two leases maturing in 2011, and one lease maturing in 2013.

As at December 31, 2008, minimum rental commitments are as follows:

Year	Total
2009	\$ 339,467
2010	300,567
2011	230,191
2012	200,345
2013	170,542
	<u>\$ 1,241,112</u>

TIDES CANADA

Notes to the Combined Financial Statements

December 31, 2008

9. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2008</u>	<u>2007</u>
Staff costs	\$ 1,574,864	\$ 1,149,314
Professional services	129,757	60,952
Office expenses	311,770	197,506
Travel	144,753	95,130
Finance costs	146,086	41,047
Marketing and communications	105,535	98,245
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	\$ 2,412,765	\$ 1,642,194

10. RECLASSIFICATION OF OPENING BALANCES

Donors relinquish control over all contributions. Certain funds which were formally designated as general funds have been reclassified to restricted funds to reflect Tides Canada's intention to direct contributions in accordance with donors' fund purpose.