

Combined Financial Statements and Auditors' Report of



December 31, 2009

**Combined Financial Statements**

**Year ended December 31, 2009**

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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, 2009 and the combined statements of revenues and expenditures, 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, 2009 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 9, 2010

Chartered Accountants

Audit • Tax • Advisory

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

**Combined Statement of Financial Position**

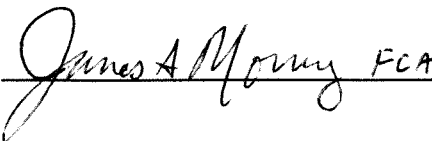
**December 31, 2009**

	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>		
Cash	\$ 1,883,503	\$ 1,335,339
Term deposits	6,663,237	7,760,110
Accounts receivable	627,097	686,536
Prepaid expenses	69,792	83,665
Investments (Note 5)	21,546,877	19,477,297
Donated assets (Note 6)	769,946	819,762
Loans receivable (Note 7)	416,910	-
Property and equipment (Note 8)	1,425,995	1,390,277
<b>TOTAL ASSETS</b>	<b>\$ 33,403,357</b>	<b>\$ 31,552,986</b>
<b>LIABILITIES</b>		
Accounts payable & accrued liabilities	\$ 833,525	\$ 455,336
Deferred revenue	92,840	-
Deferred capital contribution	829,800	922,000
<b>TOTAL LIABILITES</b>	<b>1,756,165</b>	<b>1,377,336</b>
<b>FUND BALANCES</b>		
General - unrestricted	(207,132)	(448,447)
General - internally restricted	19,378,491	18,063,218
General	19,171,359	17,614,771
Externally restricted	5,938,998	6,573,746
Endowment	6,536,835	5,987,133
<b>TOTAL FUND BALANCES</b>	<b>31,647,192</b>	<b>30,175,650</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 33,403,357</b>	<b>\$ 31,552,986</b>

**COMMITMENTS (Note 9)**

APPROVED BY:





See the accompanying notes to the combined financial statements.

**Combined Statement of Revenues and Expenditures**

**Year Ended December 31, 2009**

	General		Externally Restricted	Endowment	2009 Total	2008 Total
	Unrestricted	Internally Restricted				
<b>REVENUES</b>						
Support grants and earned income	\$ 1 890 712	\$ -	\$ -	\$ -	\$ 1 890 712	\$ 128 366
Other grants and donations	-	12 151 723	2 400 058	297 499	14 849 280	37 218 731
Investment and other revenue	619 090	68 885	342 807	140 545	1 171 327	1 258 859
<b>TOTAL REVENUES</b>	<b>2 509 802</b>	<b>12 220 608</b>	<b>2 742 865</b>	<b>438 044</b>	<b>17 911 319</b>	<b>38 605 956</b>
<b>EXPENSES</b>						
General and administrative (Note 10 and 11)	3 475 521	-	-	-	3 475 521	2 412 765
Loss on investments (Note 5)	961 477	228 899	-	110 238	1 300 614	-
Grant and program expenditures	-	5 539 470	9 131 451	9 852	14 680 773	47 288 425
<b>TOTAL EXPENSES</b>	<b>4 436 998</b>	<b>5 768 369</b>	<b>9 131 451</b>	<b>120 090</b>	<b>19 456 908</b>	<b>49 701 190</b>
<b>(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ (1 927 196)</b>	<b>\$ 6 452 239</b>	<b>\$ (6 388 586)</b>	<b>\$ 317 954</b>	<b>\$ (1 545 589)</b>	<b>\$ (11 095 234)</b>

See the accompanying notes to the combined financial statements.

## Combined Statement of Changes in Fund Balances

Year Ended December 31, 2009

	General		Externally Restricted	Endowment	2009 Total	2008 Total
	Unrestricted	Internally Restricted				
FUND BALANCES, BEGINNING OF YEAR	\$ 2 191 272	\$ -	\$ 21 997 245	\$ 5 987 133	\$ 30 175 650	\$ 45 154 032
FUND RECLASSIFICATION (NOTE 12)	(2 639 719)	18 063 218	(15 423 499)	-	-	-
RESTATED FUND BALANCES, BEGINNING OF YEAR	(448 447)	18 063 218	6 573 746	5 987 133	30 175 650	45 154 032
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	(1 927 196)	6 452 239	(6 388 586)	317 954	(1 545 589)	(11 095 234)
TRANSFERS (FROM)/TO FUNDS	(21 566)	(5 749 624)	5 753 838	17 352	-	-
UNREALIZED GAIN/(LOSS) ON INVESTMENTS	2 190 077	612 658	-	214 396	3 017 131	(3 883 148)
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ (207 132)</b>	<b>\$ 19 378 491</b>	<b>\$ 5 938 998</b>	<b>\$ 6 536 835</b>	<b>\$ 31 647 192</b>	<b>\$ 30 175 650</b>

See the accompanying notes to the combined financial statements.

**Combined Statement of Cash Flows**

**Year Ended December 31, 2009**

	<u>2009</u>	<u>2008</u>
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenues over expenses	\$ (1 545 589)	\$ (11 095 234)
Adjust for items not requiring cash:		
Amortization	276 748	49 699
Amortization of deferred capital contribution	(92 200)	-
Donated loans	(416 910)	-
Gain on sale of donated assets	(12 970)	-
Changes in:		
Accounts receivable	59 439	110 551
Prepaid expenses	13 873	19 647
Accounts payable & accrued liabilities	378 189	56 674
Deferred revenue	92 840	-
<b>Net cash (used in) provided by operating activities</b>	<b>(1 246 580)</b>	<b>(10 858 664)</b>
<b>INVESTING ACTIVITIES</b>		
Term deposits	1 096 873	(5 072 422)
Investments	947 551	14 913 988
Proceeds on sale of donated assets	62 786	-
Purchase of property and equipment	(312 466)	(1 171 329)
<b>Net cash provided by (used in) investing activities</b>	<b>1 794 744</b>	<b>8 670 237</b>
<b>FINANCING ACTIVITIES</b>		
Deferred capital contribution	-	922 000
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>922 000</b>
<b>INCREASE(DECREASE) IN CASH</b>	<b>548 164</b>	<b>(1 266 427)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>1 335 339</b>	<b>2 601 765</b>
<b>CASH, END OF YEAR</b>	<b>\$ 1 883 503</b>	<b>\$ 1 335 339</b>

See the accompanying notes to the combined financial statements.

## Notes to the Combined Financial Statements

December 31, 2009

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### 1. PURPOSES OF TIDES CANADA

Tides Canada Foundation (Tides) and Tides Canada Initiatives Society (TCI), formerly the Sage Foundation, (operating jointly as 'Tides Canada') are registered not-for-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 national Public Foundation and receives grants and donations from individuals, foundations, and corporations. The distribution of funds for philanthropic purposes is primarily through grant making. Tides mission is to provide uncommon solutions for the common good by leading and supporting actions that foster a healthy environment and just Canadian society.

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. Tides and TCI have the same management, members, and board. Consequently, the financial statements have been prepared as if the Foundation and the Charity were a single organization (Tides Canada) by the aggregation of their respective financial statements and the elimination of transactions and balances between them.

(b) *Fund accounting*

Tides Canada follows the restricted fund method of accounting for contributions.

*General Fund*

*Unrestricted*

This fund includes earned income, grants, donations and investment income, used to support operations.



## Notes to the Combined Financial Statements

December 31, 2009

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Internally restricted*

This fund includes grants, donations and investment income, used to support Tides Canada's grant making activities. Tides Canada's intention is to direct contributions in accordance with donors' fund purpose. Tides Canada retains control over distribution of grants.

#### *Externally Restricted Fund*

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

#### *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*

Grants and donations are recognized as revenue 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.

#### (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 Tides Canada's operations and would otherwise have been purchased.

#### (e) *Financial instruments*

Financial instruments are classified as follows:

- Cash and term deposits as held for trading (measured at fair value through the statement of revenues and expenditures)
- Accounts and loans 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)

## Notes to the Combined Financial Statements

December 31, 2009

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### 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. Transaction costs incurred on the purchase and sale of securities are included in the investment balance. Purchase and sales of investments are recorded on the trade date.

(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 three 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 Software	5 years
Furniture and Equipment	3 - 6 years
Leasehold Improvements	over the remaining term plus one renewal option of the lease

(h) *Investment management expense allocations*

Investment management expenses are allocated to the General Fund, the Restricted Fund and the Endowment Fund based on estimates made by Tides Canada's management.

## Notes to the Combined Financial Statements

December 31, 2009

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### 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) *Change in accounting policies*

Effective January 1, 2009 Tides Canada adopted the following new accounting standards.

i) Financial Statement Presentation by Not-for-profit Organizations

Amendments to The Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 4400 Financial Statement Presentation by Not-for-Profit Organizations modify the requirements with respect to various elements of financial statement presentation.

These amendments include:

- 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; and
- the elimination of the requirement to treat net assets invested in capital assets as a separate component of net assets.

## Notes to the Combined Financial Statements

December 31, 2009

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Change in accounting policies (continued)*

#### ii) Disclosure of Allocated Expenses by Not-for-Profit Organizations

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.

The adoption of these standards does not have a material impact on Tides Canada's financial statements.

### 3. FINANCIAL INSTRUMENTS

Fair values

Tides Canada's financial instruments include cash, term deposits, accounts and loans receivables, donated assets, investments, and accounts payable and accrued liabilities. Unless otherwise noted, the estimated fair value of Tides Canada's financial instruments approximates their carrying value.

Market risk

Market risk is the potential for financial loss to Tides Canada from changes in the values of its financial instruments due to changes in interest rates, equity prices, currency exchange and other price risks. The investments of Tides Canada are subject to normal market fluctuations and to the risk inherent in investment in capital markets.

#### i) Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises primarily from Tides Canada's investment in interest-bearing financial instruments. The value of fixed income securities will generally rise when interest rates fall and decrease when interest rates rise.

Changes in interest rates may also affect the value of equity securities.

## Notes to the Combined Financial Statements

December 31, 2009

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### 3. FINANCIAL INSTRUMENTS (Continued)

#### ii) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate due to changes in market prices. Tides Canada is exposed to equity price risk on its investments in equity funds holding equity securities.

#### iii) Currency risk

Currency risk is the risk that the value of the financial instruments denominated in non Canadian currencies will fluctuate due to changes in foreign exchange rates. Tides Canada is indirectly exposed to currency risk on its investments in equity funds holding foreign equity securities.

#### iv) Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices, other than those arising from foreign exchange rates and interest rates.

All investments represent a risk of loss of capital. Investments held by Tides Canada are susceptible to other price risk arising from uncertainties about future prices of the investments. The maximum risk resulting from the investments is determined by the fair value of their total investments.

Tides Canada actively manages market risk through its investment policy that outlines the objectives, constraints, and parameters related to its investment activities. The Audit Committee and management regularly review Tides Canada's investments to ensure all activities adhere to the investment policy.

#### Liquidity risk

Liquidity risk is the risk that Tides Canada cannot meet a demand for cash or fund its obligations as they come due. Maximum exposure to liquidity risk is \$833,525 as at December 31, 2009, which is due to be paid in full before December 31, 2010.

Liquidity risk is managed by investing the majority of Tides Canada's assets in investments that are traded in an active market and can be readily liquidated. In addition, Tides Canada retains sufficient cash positions to maintain liquidity.

## Notes to the Combined Financial Statements

December 31, 2009

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### 3. FINANCIAL INSTRUMENTS (Continued)

#### Credit risk

Tides Canada is exposed to the risk that a counterparty defaults or becomes insolvent. Financial instruments that potentially subject Tides Canada to concentrations of credit risk are receivables and investments in pooled funds that hold debt securities that are exposed to such risks.

The maximum exposure to credit risk in terms of receivable is \$1,044,007 and \$686,536 as of December 31, 2009 and 2008, respectively. Tides Canada limits the credit risk of investments in money market funds and bond funds by dealing principally with counterparties that maintain a credit rating of Single A or higher as rated by Dominion Bond Rating Service or equivalent.

### 4. CAPITAL MANAGEMENT

Tides Canada's capital consists of General, Restricted, and Endowment fund capital totaling \$31,647,192 (2008: \$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 Endowment and Externally Restricted funds. For endowment, the capital is designated by donors to be held for periods of at least 10 years. For externally restricted funds, contributions are restricted for specific purposes by the donor. Tides Canada has complied with all externally imposed capital restrictions.

**Notes to the Combined Financial Statements**

**December 31, 2009**

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**5. INVESTMENTS**

Investments are comprised of the following at December 31:

	<b>2009</b>	<b>2008</b>
Money market	\$ 4,494,710	\$ 4,427,005
Equity	9,694,087	7,187,792
Bonds	7,358,080	6,442,898
Balanced	-	1,419,602
<b>TOTAL INVESTMENTS</b>	<b>\$ 21,546,877</b>	<b>\$ 19,477,297</b>

Due to the inherent nature of pooled money markets and bond funds, it is not possible to determine the weighted average yield or maturity dates.

During the year, Tides Canada consolidated investment managers from three to two. As a result, the organization realized a loss on investments of \$1,300,614.

**6. DONATED ASSETS**

	<b>2009</b>	<b>2008</b>
Unlisted Securities	\$ -	\$ 49 816
Limited Partnership interest	769 946	769 946
<b>TOTAL DONATED ASSETS</b>	<b>\$ 769 946</b>	<b>\$ 819 762</b>

The Limited Partnership interest consists of 25 of 100 Class A Units of the Naramata Ranch Limited Partnership in land. The asset is recorded at cost and Tides Canada's management has determined there is no impairment in fair market value.

**7. LOANS RECEIVABLE**

Loans receivable consists of four loans granted to Tides Canada. Interest rates range from 2.5% to 6%, and terms range from one to five years.

Of the four loan accounts, two have maturity dates that are beyond one year - July 2012 and November 2014. Outstanding amounts as of December 31, 2009 on these accounts are \$36,910 and \$99,900 respectively. Amortization on principal and interest for both accounts are due monthly.

## Notes to the Combined Financial Statements

**December 31, 2009**

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### 8. PROPERTY AND EQUIPMENT

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

	<b>2009</b>			<b>2008</b>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	\$ 234,843	\$ 208,619	\$ 26,224	\$ -
Furniture and equipment	276,008	164,310	111,698	91,167
Leasehold improvements	1,085,925	206,990	878,935	961,017
Enterprise software	511,422	102,284	409,138	338,093
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>\$ 2,108,198</b>	<b>\$ 682,203</b>	<b>\$ 1,425,995</b>	<b>\$ 1,390,277</b>

In 2008, gifted leasehold improvements of \$922,000 were received. The deferred capital contribution is being recognized over the amortization period of the leasehold improvements.

### 9. COMMITMENTS

There are nine operating lease commitments maturing in 2010, two leases maturing in 2011, and one lease maturing in 2013.

As at December 31, 2009, minimum rental commitments are as follows:

<u>Year</u>	<u>Total</u>
2010	\$ 480 046
2011	225 417
2012	204 651
2013	182 248
2014	-
	<u>\$ 1 092 362</u>



**Notes to the Combined Financial Statements**

**December 31, 2009**

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**10. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2009</b>	<b>2008</b>
Staff costs	\$ 1 998 879	\$ 1 574 864
Professional services	482 975	129 757
Office expenses	739 310	311 770
Travel	98 644	144 753
Finance costs	96 822	146 086
Marketing and communications	58 891	105 535
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>\$ 3 475 521</b>	<b>\$ 2 412 765</b>

**11. ALLOCATION OF EXPENSES**

General and administrative expenses include investment management fees of \$106,376 (2008: \$140,608) which have been allocated as follows:

	<b>2009</b>	<b>2008</b>
General - Unrestricted	\$ 89 082	\$ 138 141
General - Internally restricted	8 687	653
Endowment	8 607	1 814
	<b>\$ 106 376</b>	<b>\$ 140 608</b>

**12. RECLASSIFICATION OF OPENING BALANCES**

Funds have been reclassified to Internally Restricted for grant making to reflect Tides Canada's intention to direct contributions in accordance with donors' fund purpose and to reflect control over distributions.