

Combined financial statements and independent auditor's report  
of



December 31, 2011

**Combined financial statements**

**Year ended December 31, 2011**

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# Independent auditor's report

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To the Members of

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

We have audited the accompanying combined financial statements of Tides Canada, which comprise the combined statement of financial position as at December 31, 2011, and the combined statements of revenue and expenditures, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's responsibility**

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of Tides Canada as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A stylized, handwritten-style signature of "Grant Thornton LLP" in black ink.

Vancouver, Canada

May 9, 2012

Chartered accountants

**Combined statement of financial position**


**December 31, 2011**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash	\$ 6,820,002	\$ 3,647,740
Term deposits	2,397,352	6,383,484
Accounts receivable	757,438	446,403
Prepaid expenses	156,540	133,458
Investments (Note 5)	24,614,856	24,175,931
Donated assets (Note 6)	1,019,946	1,019,946
Loans receivable (Note 7)	1,767,429	367,978
Property and equipment (Note 8)	1,290,413	1,303,697
<b>TOTAL ASSETS</b>	<b>\$ 38,823,976</b>	<b>\$ 37,478,637</b>
<b>LIABILITIES</b>		
Accounts payable & accrued liabilities	\$ 822,273	\$ 892,227
Deferred revenue	-	30,000
Deferred capital contribution (Note 8)	645,400	737,600
<b>TOTAL LIABILITES</b>	<b>1,467,673</b>	<b>1,659,827</b>
<b>FUND BALANCES</b>		
General	10,205,850	15,358,489
Externally Restricted	18,185,852	12,705,019
Endowment	8,964,601	7,755,302
<b>TOTAL FUND BALANCES</b>	<b>37,356,303</b>	<b>35,818,810</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 38,823,976</b>	<b>\$ 37,478,637</b>

Commitments and contingencies (Note 9)

See the accompanying notes to the combined financial statements.

APPROVED BY:

  
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Ross McGregor, Treasurer

  
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Ross McMillan, President and CEO

**Combined statement of revenues and expenditures  
Year ended December 31, 2011**

	Externally		Endowment	2011		2010 Total (Restated) Note 12
	General	Restricted		Total	Total	
<b>REVENUES</b>						
Support awards and earned income	\$ 2,231,996	\$ -	\$ -	\$ 2,231,996	\$ 2,019,355	
Other awards and donations	4,744,997	13,732,320	1,819,113	20,296,430	16,743,480	
Investment and other revenue	786,216	764,699	256,473	1,807,388	1,269,099	
<b>TOTAL REVENUES</b>	<b>7,763,209</b>	<b>14,497,019</b>	<b>2,075,586</b>	<b>24,335,814</b>	<b>20,031,934</b>	
<b>EXPENSES</b>						
General and administrative (Note 10 and 11)	4,331,075	-	-	4,331,075	3,632,329	
Realized loss (gain) on investments	37,488	5	(2,904)	34,589	4,891	
Grant and program expenditures	3,045,728	13,422,524	1,233,511	17,701,763	14,891,027	
<b>TOTAL EXPENSES</b>	<b>7,414,291</b>	<b>13,422,529</b>	<b>1,230,607</b>	<b>22,067,427</b>	<b>18,528,247</b>	
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 348,918</b>	<b>\$ 1,074,490</b>	<b>\$ 844,979</b>	<b>\$ 2,268,387</b>	<b>\$ 1,503,687</b>	

See the accompanying notes to the combined financial statements.

**Combined statement of changes in fund balances**

**Year ended December 31, 2011**

	<b>General</b>	<b>Externally Restricted</b>	<b>Endowment</b>	<b>2011 Total</b>	<b>2010 Total</b>
FUND BALANCES, BEGINNING OF YEAR					
As previously reported	\$ 15,358,489	\$ 12,705,019	\$ 7,755,302	\$ 35,818,810	\$ 31,647,192
Prior period adjustment (Note 12)	-	-	-	-	1,638,850
FUND BALANCES, BEGINNING OF YEAR	\$ 15,358,489	\$ 12,705,019	\$ 7,755,302	\$ 35,818,810	\$ 33,286,042
Excess of Revenue over Expenses	348,918	1,074,490	844,979	2,268,387	1,503,687
Transfers (From)/To Funds	(5,054,680)	4,406,343	648,337	-	-
Unrealized (Loss)/Gain on Investments	(446,877)	-	(284,017)	(730,894)	1,029,081
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 10,205,850</b>	<b>\$ 18,185,852</b>	<b>\$ 8,964,601</b>	<b>\$ 37,356,303</b>	<b>\$ 35,818,810</b>

See the accompanying notes to the combined financial statements.

**Combined statement of cash flows**

**Year ended December 31, 2011**

	<b>2011</b>	<b>2010</b>
		(Restated) Note 12
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 2,268,387	\$ 1,503,687
Adjust for items not requiring cash:		
Amortization	329,242	311,968
Amortization of deferred capital contribution	(92,200)	(92,200)
Donated assets and loans receivable	-	1,127,728
Changes in:		
Accounts receivable	(311,035)	180,694
Prepaid expenses	(23,082)	(63,666)
Accounts payable & accrued liabilities	(69,954)	58,702
Deferred revenue	(30,000)	(62,840)
<b>Net cash provided by operating activities</b>	<b>2,071,357</b>	<b>2,964,073</b>
<b>INVESTING ACTIVITIES</b>		
Repayment of loans receivable	300,549	48,932
Term deposits	3,986,132	279,753
Investments	(1,169,819)	(1,338,851)
Loans receivable	(1,700,000)	-
Purchase of property and equipment	(315,958)	(189,670)
<b>Net cash provided by (used in) investing activities</b>	<b>1,100,905</b>	<b>(1,199,836)</b>
<b>INCREASE IN CASH</b>	<b>3,172,262</b>	<b>1,764,237</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>3,647,740</b>	<b>1,883,503</b>
<b>CASH, END OF YEAR</b>	<b>\$ 6,820,002</b>	<b>\$ 3,647,740</b>

See the accompanying notes to the combined financial statements.

## Notes to the combined financial statements

December 31, 2011

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### 1. PURPOSES OF TIDES CANADA

Tides Canada Foundation (Tides) and Tides Canada Initiatives Society (TCI), 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 expends 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*

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



## Notes to the combined financial statements

December 31, 2011

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Externally Restricted Fund*

Awards and donations 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*

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*

Awards 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 with a quoted market price in an active market as available for sale (measured at fair value on the Statement of Financial Position - adjustments to fair value are recorded to Fund Balances)

**Notes to the combined financial statements**

**December 31, 2011**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Financial Instruments (continued)*

- Donated assets and long term investments 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 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 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 Externally Restricted Fund and the Endowment Fund based on estimates made by Tides Canada's management.

## Notes to the combined financial statements

December 31, 2011

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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.

### 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, 2011

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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) 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 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 \$822,273 as at December 31, 2011, which is due to be paid in full before December 31, 2012.

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.

#### 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.

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.

The maximum exposure to credit risk in terms of receivable is \$2,524,867 (2010: \$814,381). Tides Canada manages credit risk on receivables by ensuring sufficient security is in place to support repayment of the loan.

**Notes to the combined financial statements**

**December 31, 2011**

**4. CAPITAL MANAGEMENT**

Tides Canada's capital consists of General, Externally Restricted, and Endowment funds totaling \$37,356,303 (2010: \$35,818,810) 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 particular funds. Externally Restricted fund contributions are restricted for specific purposes by the donor. Tides Canada has complied with all externally imposed capital restrictions.

**5. INVESTMENTS**

Investments are comprised of the following at December 31:

	<b>2011</b>	<b>2010</b>
Money market	\$ 1,858,976	\$ 4,764,919
Bonds	12,400,161	8,050,252
Equity	9,308,258	10,806,664
Long-term deposits	557,537	-
Securities held for sale	236,117	261,122
Investments at fair value	24,361,049	23,882,957
Long term investment, at cost	253,807	292,974
<b>Total Investments</b>	<b>\$ 24,614,856</b>	<b>\$ 24,175,931</b>

Money market and bond funds have a weighted average yield of 1.00% (2010: 2.08%) and 3.30% (2010: 2.04%), respectively.

Long term investments consist of 284 units which were acquired in a social venture fund to invest in program related sectors that are critical for a sustainable economy and to generate investment returns. The companies are private companies and fair market value is not readily determinable. The investment is carried at cost.

Periodically, Tides Canada receives securities available for sale which are subsequently disposed of and credited to the donor advised fund.

**Notes to the combined financial statements**

**December 31, 2011**

**6. DONATED ASSETS**

	<u>2011</u>	<u>2010</u>
Limited Partnership interest	\$ 769,946	\$ 769,946
Limited liability company	250,000	250,000
<b>Total Donated Assets</b>	<b>\$ 1,019,946</b>	<b>\$ 1,019,946</b>

The Limited Partnership interest consists of 25 of 100 Class A Units. The primary asset is in land with the intention of establishing a land conservancy. The asset is recorded at cost as the market value is not determinable.

344 Class A units of a private Limited Liability Company which develops community venture capital funds were donated in 2010. The fair market value of the units upon receipt was \$250,000.

**7. LOANS RECEIVABLE**

Loans receivable are comprised of the following:

One loan with a maturity date beyond one year— November 2014. Outstanding amount as of December 31, 2011 on this account is \$67,429 and the interest rate is 6%.

Loan agreement for \$1.7 million with Haida Gwaii TLUU, signed February 4, 2011 and maturing November 4, 2012. This loan is secured by a mortgage on property, a general security agreement, and a guarantee from Haida Enterprise Corporation. The loan accrues interest annually at the Bank of Canada's prime rate.

**Notes to the combined financial statements**

**December 31, 2011**

**8. PROPERTY AND EQUIPMENT**

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

	2011		2010	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	\$ 167,244	\$ 84,624	\$ 82,620	\$ 9,832
Enterprise software	726,748	346,651	380,097	402,400
Furniture and equipment	629,977	486,005	143,972	110,136
Leasehold improvements	1,085,925	402,201	683,724	781,329
<b>Total Property and Equipment</b>	<b>\$ 2,609,894</b>	<b>\$ 1,319,481</b>	<b>\$ 1,290,413</b>	<b>\$ 1,303,697</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 AND CONTINGENCIES**

As of December 31, 2011, Tides Canada committed to grants totaling \$2,112,973. Payment of these grants is conditional on the recipients meeting certain criteria and providing certain supporting information.

Tides Canada committed to purchasing 709 units in a social venture fund, totaling \$731,404. As at the year end, 284 units with a net cost of \$253,807 have been purchased (see Note 5). The remaining commitments of \$477,597 are required at the call of the general partner when further investment capital is required.

As at December 31, 2011, minimum rental commitments are as follows:

Year	Total
2012	\$ 600,122
2013	480,478
2014	51,689
	<u>\$ 1,132,289</u>

**Notes to the combined financial statements**

**December 31, 2011**

**10. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>2011</u>	<u>2010</u>
Staff costs	\$ 2,738,685	\$ 2,184,121
Professional services	174,658	233,093
Office expenses	668,171	589,927
Amortization	303,571	277,198
Travel	130,722	132,974
Finance costs	80,050	76,690
Marketing and communications	235,218	138,326
<b>Total General and Administrative Expenses</b>	<b>\$ 4,331,075</b>	<b>\$ 3,632,329</b>

**11. ALLOCATION OF EXPENSES**

General and administrative expenses include investment management fees of \$105,312 (2010: \$93,393) which have been allocated as follows:

	<u>2011</u>	<u>2010</u>
General	\$ 76,294	\$ 74,999
Endowment, grant and program expenditures	29,018	18,394
<b>Total Allocation of Expenses</b>	<b>\$ 105,312</b>	<b>\$ 93,393</b>

**12. RESTATEMENT OF FUND BALANCES**

In 2008, Tides Canada, operating as the Sage Foundation, signed a Declaration of Bare Trust Agreement with Shardick Enterprises Society (“Shardick”) to acquire ownership of Taku Safari Inc. to pursue environmental preservation outcomes in the Taku River watershed. Tides Canada granted funds to Shardick to purchase the shares of Taku Safari Inc in 2008. Acting as bare trustee and agent for Tides Canada, Shardick purchased all outstanding shares of Taku Safari Inc for \$1.7 million.

In 2010, Tides Canada amended the Bare Trust Agreement such that the shares of Taku Safari Inc. were gifted to the T’akhu A Tlan Conservancy.



**Notes to the combined financial statements**

**December 31, 2011**

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**12. RESTATEMENT OF FUND BALANCES (Continued)**

Tides Canada recorded and expensed grants made in 2008 to Shardick, but did not record the purchase of the shares of Taku Safari Inc. as an asset on its balance sheet. When the shares of Taku Safari Inc. were gifted to the T'akhu A Tlan Conservancy in 2010, this transaction was not reflected in Tides Canada's financial statements. As Tides Canada was the beneficial owner of Taku Safari Inc. during this period, this asset should have been recorded on the financial statements in 2008, 2009, and 2010. As the shares were disposed of at cost, there is no net effect on Tides Canada's financial position.

To properly reflect this transaction in its 2011 financial statements, Tides Canada has amended its 2010 comparative financial information to reflect the disposal of this asset by increasing Grant and Program Expenditures for 2010 by \$1,638,850 and increasing Fund Balances, beginning of year by \$1,638,850.