

Auditors' Report and Financial Statements of

TIDES CANADA FOUNDATION

December 31, 2002

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**Deloitte
& Touche**

Auditors' Report

To the Directors of
Tides Canada Foundation

We have audited the statement of financial position of Tides Canada Foundation (the "Foundation") as at December 31, 2002 and the statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation'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 financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2002 and the results of its activities, changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Society Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
February 11, 2003

**Deloitte
Touche
Tohmatsu**

TIDES CANADA FOUNDATION
(Incorporated under Society Act of British Columbia)
Statement of Financial Position
December 31, 2002

	<u>2002</u>	<u>2001</u>
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 8,545,239	\$ 931,333
Accounts receivable	80,360	28,647
Restricted contributions receivable	-	56,276
Prepaid expenses and other	6,890	2,059
	<u>8,632,489</u>	<u>1,018,315</u>
CAPITAL ASSETS, net (Note 3)	45,662	80,085
OTHER ASSETS	49,816	49,816
TOTAL ASSETS	\$ 8,727,967	\$ 1,148,216
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 20,877	\$ 43,556
Current portion of loan payable (Note 4)	28,665	20,000
	<u>49,542</u>	<u>63,556</u>
LOAN PAYABLE (Note 4)	-	28,665
	<u>49,542</u>	<u>92,221</u>
NET ASSETS		
Unrestricted	7,256,300	999,719
Internally restricted	350,000	-
Externally restricted	1,072,125	56,276
TOTAL NET ASSETS	8,678,425	1,055,995
TOTAL LIABILITIES AND NET ASSETS	\$ 8,727,967	\$ 1,148,216

APPROVED BY:

Joel Solomon, Director

James Morrissey, Treasurer

TIDES CANADA FOUNDATION
Statement of Activities and Changes in Net Assets
Year ended December 31, 2002

	2002			2001	
	Unrestricted	Internally Restricted	Externally Restricted	Total	
SUPPORT AND REVENUE					
Support grants	\$ 789,133	\$ -	\$ -	\$ 789,133	\$ 288,802
Grantmaking	10,325,681	-	1,072,125	11,397,806	694,667
Interest and other revenue	53,691	-	-	53,691	125,644
TOTAL SUPPORT AND REVENUE	11,168,505	-	1,072,125	12,240,630	1,109,113
EXPENSES					
General and administration (Schedule)	846,217	-	-	846,217	595,177
Grantmaking	3,771,983	-	-	3,771,983	1,738,146
TOTAL EXPENSES	4,618,200	-	-	4,618,200	2,333,323
INCREASE (DECREASE) IN NET ASSETS	6,550,305	-	1,072,125	7,622,430	(1,224,210)
NET ASSETS, BEGINNING OF YEAR	999,719	-	56,276	1,055,995	2,280,205
NET ASSETS RELEASED FROM RESTRICTIONS (Note 6)					
	56,276	-	(56,276)	-	-
NET ASSETS INTERNALLY RESTRICTED	(350,000)	350,000	-	-	-
NET ASSETS, END OF YEAR	\$ 7,256,300	\$ 350,000	\$ 1,072,125	\$ 8,678,425	\$ 1,055,995

TIDES CANADA FOUNDATION
Statement of Cash Flows
Year ended December 31, 2002

	<u>2002</u>	<u>2001</u>
OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 7,622,430	\$ (1,224,210)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	37,730	41,797
Non-cash contributions	-	(49,816)
Changes in:		
Accounts receivable	(51,713)	(17,154)
Contributions receivable	56,276	980,885
Prepaid expenses	(4,831)	(69)
Accounts payable and accrued expenses	(22,679)	14,763
Net cash provided by (used in) operating activities	<u>7,637,213</u>	<u>(253,804)</u>
INVESTING ACTIVITY		
Purchase of capital assets	(3,307)	(28,319)
FINANCING ACTIVITY		
Repayment of loan payable	(20,000)	(19,950)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,613,906	(302,073)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	931,333	1,233,406
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 8,545,239	\$ 931,333

TIDES CANADA FOUNDATION

Notes to the Financial Statements

Year ended December 31, 2002

1. OPERATING MANDATE

The Tides Canada Foundation (the "Foundation") is a registered non-profit society and is non-taxable under the Federal Income Tax Act. The year ended December 31, 2001 was the first full year of staffed operations for the Foundation. The Foundation receives funds through grants and donations from individuals, foundations, and corporations. Distribution of funds for philanthropic purposes is made primarily through the direct operation of a grantmaking program. The mission of the Foundation is to create partnerships with donors and charitable organizations to grow and organize resources for social change and environmental sustainability. The Foundation wishes to facilitate innovative and effective grantmaking programs, foster opportunities for learning, and build a donor community.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of presentation*

The financial statements are presented on the basis of unrestricted, internally and externally restricted net assets. As of December 31, 2002, there were no permanently restricted net assets.

(b) *Cash and cash equivalents*

Cash and cash equivalents include cash and all highly liquid investments with maturities of three months or less.

(c) *Fair value of financial instruments*

As of December 31, 2002, the estimated fair value of the Foundation's financial instruments (including cash and cash equivalents, accounts receivable, contributions receivable, accounts payable and accrued expenses, and loan payable) approximates their carrying values due to either their short length to maturity or the existence of interest rates that approximate prevailing rates.

(d) *Contributions receivable*

Contributions receivable represents pledges by donors, all of which are due within one year.

TIDES CANADA FOUNDATION
Notes to the Financial Statements
Year ended December 31, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) *Capital assets*

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

Computer software	2 years
Furniture and equipment	3 years
Leasehold improvements and telephone equipment	6 years

(f) *Restricted net assets*

Internally restricted net assets represent an allocation whose use by the Foundation is limited to the maintenance of the Foundation's general and administration operations.

Externally restricted net assets represent contributions whose use by the Foundation is limited by donor-imposed stipulations that can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. As of December 31, 2002, temporarily restricted net assets of \$1,072,125 (2001 - \$56,276) were available for designated purpose programs.

(g) *Revenue recognition*

Contributions are recognized as revenue when received or unconditionally promised.

(h) *Functional expense allocations*

Expenses, such as depreciation, supplies and travel are allocated to grantmaking and general and administration based on estimates made by the Foundation's management.

(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.

TIDES CANADA FOUNDATION
Notes to the Financial Statements
Year ended December 31, 2002

3. CAPITAL ASSETS

Capital assets are comprised of the following at December 31:

	2002			2001
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer software	\$ 12,542	\$ 12,542	\$ -	\$ 1,107
Furniture and equipment	78,389	66,318	12,071	34,288
Leasehold improvements	66,593	33,002	33,591	44,690
	<u>\$ 157,524</u>	<u>\$ 111,862</u>	<u>\$ 45,662</u>	<u>\$ 80,085</u>

4. LOAN PAYABLE

The loan payable is interest free, unsecured and repayable at \$20,000 per annum. In 2003, the remaining balance is to be repaid.

5. LEASES

The Foundation has an operating lease for office space which expires in 2005 with two renewal periods. As at December 31, 2002, minimum rental commitments are as follows:

2003	\$ 23,280
2004	23,280
2005	11,640

6. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the year ended December 31, 2002 by incurring expenses satisfying the restricted purposes specified by donors for start-up and general support in the amount of \$56,276 (2001 - \$1,037,161).

7. COMPARATIVE FIGURES

Certain prior period figures have been restated to conform to the 2002 presentation.

TIDES CANADA FOUNDATION
Schedule of General and Administrative Expenses
Year ended December 31, 2002

	<u>2002</u>	<u>2001</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and management fees	\$ 79,620	\$ 72,115
Advertising and promotion	8,941	9,599
Computer	37,545	24,992
Consulting fees	203,190	59,883
Depreciation	37,730	41,797
Donor development	23,522	39,140
Legal and audit fees	21,785	17,934
Office and miscellaneous	48,384	45,912
Payroll	251,618	202,673
Rent	41,558	40,957
Telephone	12,679	6,856
Travel	79,645	33,319
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	\$ 846,217	\$ 595,177