

Combined Financial Statements and Auditors' Report of

TIDES CANADA FOUNDATION

and

SAGE FOUNDATION

December 31, 2007

TIDES CANADA FOUNDATION AND SAGE FOUNDATION

Combined Financial Statements

Year ended December 31, 2007

Table of Contents

Auditors' Report	Page 1
Financial Statements	
Combined Statement of Financial Position	Page 2
Combined Statement of Operations	Page 3
Combined Statement of Changes in Fund Balances	Page 4
Combined Statement of Changes in General Fund Balances	Page 5
Combined Statement of Cash Flows	Page 6
Notes to the Combined Financial Statements	Pages 7 to 13



Auditors' Report

Grant Thornton LLP
Suite 1600, Grant Thornton Place
333 Seymour Street
Vancouver, BC
V6B 0A4
T (604) 687-2711
F (604) 685-6569
www.GrantThornton.ca

To the Members of Tides Canada Foundation and Sage Foundation

We have audited the combined statement of financial position of Tides Canada Foundation and Sage Foundation as at December 31, 2007 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
April 4, 2008

Grant Thornton LLP

Chartered Accountants

Audit • Tax • Advisory

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

TIDES CANADA FOUNDATION AND SAGE FOUNDATION

Combined Statement of Financial Position

December 31, 2007

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT		
Cash	\$ 2,601,765	\$ 1,003,713
Term deposits	2,687,688	1,270,332
Investments (Note 4)	38,274,433	9,879,984
Donated assets (Note 5)	819,762	819,762
Accounts receivable	797,087	576,449
Trust assets (Note 2)	-	6,744,687
Prepaid expenses and other	103,312	60,130
	<u>45,284,047</u>	<u>20,355,057</u>
PROPERTY AND EQUIPMENT (Note 6)	268,647	38,508
TOTAL ASSETS	\$ 45,552,694	\$ 20,393,565
LIABILITIES		
CURRENT		
Accounts payable and accrued expenses	\$ 398,662	\$ 315,348
Trust liabilities (Note 2)	-	6,744,687
	<u>398,662</u>	<u>7,060,035</u>
FUND BALANCES		
General fund (Note 7)		
Unrestricted	526,168	384,656
Internally restricted for future operations	1,240,448	1,149,314
Internally restricted for grantmaking	13,736,679	7,111,946
Invested in Property and Equipment	258,699	28,560
General fund	<u>15,761,994</u>	<u>8,674,476</u>
Endowments	784,220	524,117
Other externally restricted funds	28,607,818	4,134,937
	<u>45,154,032</u>	<u>13,333,530</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 45,552,694	\$ 20,393,565

COMMITMENTS (Note 8)

APPROVED BY:

"James Morrissey"

James Morrissey FCA, Treasurer of Tides, Chair of Sage

"Ross McMillan"

Ross McMillan, President of Tides, President of Sage

See the accompanying notes to the combined financial statements.

TIDES CANADA FOUNDATION AND SAGE FOUNDATION

Combined Statement of Operations

Year Ended December 31, 2007

	General	Externally Restricted	Endow- -ments	2007 Total	2006 Total
REVENUES					
Support grants and earned income	\$ 308,153	\$ -	\$ -	\$ 308,153	\$ 258,586
Other grants and donations	1,603,672	34,809,748	260,534	45,673,954	9,821,054
Investment and other revenue	676,475	68,651	22,045	767,171	713,632
TOTAL REVENUES	11,588,300	34,878,399	282,579	46,749,278	10,793,272
EXPENSES					
General and administrative (Note 9)	1,013,618	763,717	6,677	1,784,012	1,300,351
Grant and program expenditures	1,986,031	10,898,607	8,015	12,892,653	7,820,348
TOTAL EXPENSES	2,999,649	11,662,324	14,692	14,676,665	9,120,699
EXCESS OF REVENUES OVER EXPENSES	\$ 8,588,651	\$ 23,216,075	\$ 267,887	\$ 32,072,613	\$ 1,672,573

See the accompanying notes to the combined financial statements.

TIDES CANADA FOUNDATION AND SAGE FOUNDATION

Combined Statement of Changes in Fund Balances

Year Ended December 31, 2007

	General	Externally Restricted	Endow- ments	2007 Total	2006 Total
FUND BALANCES, BEGINNING OF YEAR	\$ 8,674,476	\$ 4,134,937	\$ 524,117	\$ 13,333,530	\$ 11,660,957
TRANSITION ADJUSTMENT, (Note 3)	(192,722)	-	(10,064)	(202,786)	-
FUND BALANCES, BEGINNING OF YEAR RESTATED	8,481,754	4,134,937	514,053	13,130,744	11,660,957
EXCESS OF REVENUES OVER EXPENSES	8,588,651	23,216,075	267,887	32,072,613	1,672,573
UNREALIZED LOSSES ON INVESTMENTS	(48,741)	-	(584)	(49,325)	
INTERFUND TRANSFERS	(1,259,670)	1,256,806	2,864	-	-
FUND BALANCES, END OF YEAR	\$ 15,761,994	\$ 28,607,818	\$ 784,220	\$ 45,154,032	\$ 13,333,530

See the accompanying notes to the combined financial statements.

TIDES CANADA FOUNDATION AND SAGE FOUNDATION

Combined Statement of Changes in the General Fund Balances

Year Ended December 31, 2007

	Unrestricted	Internally Restricted		Invested in Property and Equipment	2007
	Operating Funds	Restricted for Future Operations	Restricted for Grantmaking		General Fund Total
FUND BALANCES, BEGINNING OF YEAR	384,657	\$ 1,149,314	\$ 7,111,945	\$ 28,560	\$ 8,674,476
TRANSITION ADJUSTMENT, (Note 3)	(13,070)	(121,418)	(58,234)		(192,722)
FUND BALANCES, BEGINNING OF YEAR RESTATED	371,587	1,027,896	7,053,711	28,560	8,481,754
EXCESS OF REVENUES OVER EXPENSES	141,963	249,174	8,197,514	-	8,588,651
UNREALIZED LOSSES ON INVESTMENTS	(8,743)	(36,622)	(3,376)	-	(48,741)
TRANSFERS IN RESPECT OF PROPERTY AND EQUIPMENT					
Acquisition of Property and Equipment	(263,224)	-		263,224	-
Depreciation charged to operations	33,085	-		(33,085)	-
INTERFUND TRANSFERS	251,500	-	(1,511,170)	-	(1,259,670)
FUND BALANCES, END OF YEAR	\$ 526,168	\$ 1,240,448	\$ 13,736,679	\$ 258,699	\$ 15,761,994

See the accompanying notes to the combined financial statements.

TIDES CANADA FOUNDATION AND SAGE FOUNDATION

Combined Statement of Cash Flows

Year Ended December 31, 2007

	<u>2007</u>	<u>2006</u>
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 32,072,613	\$ 1,672,573
Add item not requiring cash:		
Amortization	33,085	46,964
Donated assets	-	(769,946)
Changes in:		
Accounts receivable	(220,638)	1,155,280
Prepaid expenses and other	(43,182)	(12,338)
Accounts payable and accrued expenses	83,314	(136,753)
Unrealized losses on Investments	(49,325)	-
Net cash provided by operating activities	31,875,867	1,955,780
INVESTING ACTIVITIES		
Term deposits	(1,417,356)	2,117,468
Investments	(28,597,235)	(3,386,399)
Purchase of property and equipment	(263,224)	(40,956)
Net cash used in investing activities	(30,277,815)	(1,309,887)
INCREASE IN CASH	1,598,052	645,893
CASH, BEGINNING OF YEAR	1,003,713	357,820
CASH, END OF YEAR	\$ 2,601,765	\$ 1,003,713
Supplementary cash flow information:		
Donated assets not included in cash flows	<u>\$ -</u>	<u>\$ 769,946</u>
(Decrease) Increase in funds held in trust (released) received during the year	<u>\$ (6,744,687)</u>	<u>\$ 176,921</u>

See the accompanying notes to the combined financial statements.

TIDES CANADA FOUNDATION AND SAGE FOUNDATION

Notes to the Combined Financial Statements

December 31, 2007

1. PURPOSES OF THE ORGANIZATIONS

Tides Canada Foundation (Tides) and the Sage Foundation (Sage) are registered non-profit societies and registered charities under the Income Tax Act. Neither Tides nor Sage 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.

Sage is an Operating Charity, and receives grants and donations from individuals, foundations and corporations. Sage 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 Sage decided to operate the two organizations under common control. From that date Sage 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 FOUNDATION AND SAGE FOUNDATION

Notes to the Combined Financial Statements

December 31, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Externally Restricted Fund

This fund reports contributions the use of which is externally restricted to 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 Externally 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 FOUNDATION AND SAGE FOUNDATION

Notes to the Combined Financial Statements

December 31, 2007

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)

Fair values are based on quoted market values where available from active markets, otherwise fair values are estimated using a variety of valuation techniques and models.

(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) Trust assets and liabilities

From time to time Tides or Sage may receive and hold funds in trust for other organizations. These funds are kept fully segregated from Tide's and Sage's own assets and liabilities and are separately disclosed as both assets and liabilities in the balance sheet. No income or expenditure of any such trust is included in the Statement of Operations.

(h) 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 of the lease

(i) 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 FOUNDATION AND SAGE FOUNDATION

Notes to the Combined Financial Statements

December 31, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) *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.

(k) *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

In accordance with The Canadian Institute of Chartered Accountants Handbook Sections 3855, Financial Instruments - Recognition and Measurement and 3861, Financial Instruments – Presentation and Disclosure, Investments are recorded at fair market value effective January 1, 2007. The adoption of these new standards resulted in a transitional adjustment to decrease opening net assets by \$202,786 due to a decrease in the fair value of investments as disclosed in note 4.

Fair values

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, we use the closing price of the most recent transaction of that instrument. Unless otherwise noted, the estimated fair value of the Foundations' financial instruments approximates their carrying value.

TIDES CANADA FOUNDATION AND SAGE FOUNDATION

Notes to the Combined Financial Statements

December 31, 2007

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. INVESTMENTS

Investments were comprised of the following at December 31:

	<u>2007</u>	<u>2006</u>	<u>2006</u>
	<u>(at market)</u>	<u>(at market)</u>	<u>(at cost)</u>
INVESTMENTS			
Mutual Funds	\$ 38,274,433	\$ 9,540,417	\$ 9,744,627
Listed Securities	-	136,781	135,357
TOTAL INVESTMENTS	\$ 38,274,433	\$ 9,677,198	\$ 9,879,984

TIDES CANADA FOUNDATION AND SAGE FOUNDATION

Notes to the Combined Financial Statements

December 31, 2007

5. DONATED ASSETS

	<u>2007</u>	<u>2006</u>
	(at cost)	(at cost)
DONATED ASSETS		
Unlisted Securities	\$ 49,816	\$ 49,816
Limited Partnership Interest	769,946	769,946
TOTAL INVESTMENTS	\$ 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. The land will be utilized to establish a self-sustaining model for a Naramata Conservation Charity.

6. PROPERTY AND EQUIPMENT

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

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer software	\$ 228,922	\$ 1,542	\$ 227,380	\$ -
Furniture and equipment	226,372	187,734	38,638	29,949
Leasehold improvements	109,872	107,243	2,629	8,559
	\$ 565,166	\$ 296,519	\$ 268,647	\$ 38,508

\$8,962 (2006: \$9,948) is invested in property and equipment that was funded by external contributions and has been included in other externally restricted funds.

7. GENERAL FUND BALANCES

Within the General Fund is an unrestricted Operations Fund for the management and administration of the Foundation and Internally Restricted funds where funds are designated for future grant making and funds for the security and future development of the Foundation.

TIDES CANADA FOUNDATION AND SAGE FOUNDATION

Notes to the Combined Financial Statements

December 31, 2007

8. COMMITMENTS

Sage has entered into operating leases for office space. There are short term lease commitments for 2008, one lease maturing in 2009, and one lease maturing in 2010. There are no commitments to renew the lease.

Tides has two operating leases for office space. The Vancouver office space lease expires in 2009 with two renewal periods. The Toronto office space lease expires in 2010 with one renewal period.

As at December 31, 2007, minimum rental commitments are as follows:

<u>Year</u>	<u>Total</u>
2008	\$ 130,424
2009	93,643
2010	61,266
2011-2012	-
	<u>\$ 285,333</u>

9. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2007</u>	<u>2006</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Advertising and promotion	\$ 48,723	\$ 62,670
Amortization	33,085	46,964
Business advisory services	52,907	85,942
Computer	12,953	15,833
Consulting fees	34,448	20,227
Insurance	8,992	8,418
Legal and audit fees	25,243	48,415
Foreign exchange	134,638	6,679
Office and miscellaneous	267,847	174,206
Rent	92,994	81,870
Salaries and benefits	956,680	660,279
Telephone and communications	20,372	16,149
Travel	95,130	72,699
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	\$ 1,784,012	\$ 1,300,351