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Audited Financial Statements

**SIERRA CLUB OF CANADA**

December 31, 2006

AUDITED FINANCIAL STATEMENTS

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December 31, 2006

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## AUDITORS' REPORT

To the Directors of **Sierra Club of Canada**:

We have audited the statement of financial position of **Sierra Club of Canada** as at December 31, 2006, the statement of revenue and expenses and the statement of net assets for the year then ended. These financial statements are the responsibility of the Club's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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 common with many not-for-profit organizations, the Club derives revenue from donations and membership fees, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Club and we were not able to determine whether any adjustments might be necessary to donation and membership revenues, assets and net surplus. In addition, the Club funds environmental projects in Bolivia for which it does not receive sufficient details and support for expenditures made outside of Canada. Accordingly, we were unable to satisfy ourselves with respect to the nature and propriety of the final use of these funds. As a result, we were unable to determine whether adjustments might be necessary to expenses, liabilities and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourself concerning the completeness of the donations and membership revenues and propriety of expenses referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Club as at December 31, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Ottawa  
April 17, 2007

**McLarty & Co Professional Corporation**  
(Authorized to practice public accounting by the  
Institute of Chartered Accountants of Ontario)

STATEMENT OF FINANCIAL POSITION

SIERRA CLUB OF CANADA

	Ontario Chapter	Prairies Chapter	BC Chapter	Atlantic Canada Chapter	Quebec Chapter	National Office	Internal Transactions	December 31 2006	2005
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash	\$ 14,100	\$ 5,849	\$ 100,423	\$ 1,873	\$ -	\$ 74,719	\$ -	\$ 196,964	\$ 254,132
Accounts receivable	21,122	16,578	203,723	7,875	-	42,091	-	291,389	72,106
Prepaid expenses and deposits	<u>500</u>	<u>-</u>	<u>700</u>	<u>559</u>	<u>-</u>	<u>15,736</u>	<u>-</u>	<u>17,495</u>	<u>5,041</u>
	35,722	22,427	304,846	10,307	-	132,546	-	505,848	331,279
<b>INVESTMENTS</b>	-	6,832	-	-	-	-	-	6,832	-
<b>CAPITAL ASSETS--Note B</b>	<u>2,143</u>	<u>1,295</u>	<u>55,489</u>	<u>-</u>	<u>-</u>	<u>18,878</u>	<u>-</u>	<u>77,805</u>	<u>53,343</u>
	<u>\$ 37,865</u>	<u>\$ 30,554</u>	<u>\$ 360,335</u>	<u>\$ 10,307</u>	<u>\$ -</u>	<u>\$ 151,424</u>	<u>\$ -</u>	<u>\$ 590,485</u>	<u>\$ 384,622</u>
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES</b>									
Accounts payable and accrued liabilities	\$ 8,182	\$ 7,946	\$ 223,965	\$ 1,893	\$ -	\$ 43,519	\$ -	\$ 285,505	\$ 86,804
Deferred revenue	-	11,520	41,916	-	-	79,119	-	132,555	193,216
Due to Sierra Club of Canada Foundation--Note G	-	-	-	-	-	9,566	-	9,566	-
Due to / (from) related parties	<u>(3,592)</u>	<u>(590)</u>	<u>-</u>	<u>(485)</u>	<u>8,340</u>	<u>(3,673)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	4,590	18,876	265,881	1,408	8,340	128,531	-	427,626	280,020
<b>NET ASSETS</b>	<u>33,275</u>	<u>11,678</u>	<u>94,454</u>	<u>8,899</u>	<u>(8,340)</u>	<u>22,893</u>	<u>-</u>	<u>162,859</u>	<u>104,602</u>
	<u>\$ 37,865</u>	<u>\$ 30,554</u>	<u>\$ 360,335</u>	<u>\$ 10,307</u>	<u>\$ -</u>	<u>\$ 151,424</u>	<u>\$ -</u>	<u>\$ 590,485</u>	<u>\$ 384,622</u>

APPROVED ON BEHALF OF THE BOARD:

See notes to financial statements

\_\_\_\_\_ Director

See notes to financial statements

STATEMENT OF REVENUE AND EXPENSES

SIERRA CLUB OF CANADA

	Ontario Chapter	Prairies Chapter	BC Chapter	Atlantic Canada Chapter	Quebec Chapter	National Office			December 31	
						Unrestricted	Sierra Youth Coalition	Internal Transactions	2006	2005
(Note D)										
<b>Revenue</b>										
Sierra Club of Canada										
Foundation--Note G	\$ -	\$ 6,695	\$ -	\$ 22,230	\$ 7,450	\$ 1,153,184	\$ 108,720	\$ -	\$ 1,298,279	\$ 1,010,572
Sierra Club of BC										
Foundation--Note G	-	-	739,687	-	-	-	-	-	739,687	896,217
Government contracts	11,500	104,328	246,742	57,114	-	134,360	41,300	-	595,344	725,917
Contracts	-	-	-	59,406	-	115,015	45,562	-	219,983	443,439
Donations	84,055	34,331	352,830	1,513	55	60,667	7,045	-	540,496	384,289
Membership dues	8,242	4,893	12,096	4,589	2,779	52,593	2,693	-	87,885	80,046
Product sales	-	-	2,043	-	-	3,911	-	-	5,954	19,676
Events (net)	200	1,785	585	4,101	471	(6,564)	9,328	-	9,906	17,485
Other	1,982	633	-	423	-	3,542	-	-	6,580	6,211
Interest	20	173	1,453	-	-	-	930	-	2,576	1,256
National Office chapter support	40,024	7,668	-	3,585	-	-	-	(51,091)	186	-
	<u>146,023</u>	<u>160,506</u>	<u>1,355,436</u>	<u>152,961</u>	<u>10,755</u>	<u>1,516,708</u>	<u>215,578</u>	<u>(51,091)</u>	<u>3,506,876</u>	<u>\$ 3,585,108</u>
<b>Expenses</b>										
Campaigns and projects	67,285	117,530	955,599	93,411	23,166	891,144	198,516	-	2,346,651	2,366,036
Facilities and office	11,716	8,658	147,942	13,545	-	149,398	4,906	-	336,165	327,221
Administration - staff	46,469	5,911	147,407	42,534	-	257,875	-	-	500,196	370,858
Communication and education	1,671	5,005	26,303	1,900	-	3,178	-	-	38,057	54,187
Membership support	-	6,755	-	1,203	-	102,619	-	-	110,577	110,159
Other	3,255	1,874	10,163	1,171	-	37,450	-	-	53,913	94,768
Governance	80	2,663	-	1,906	-	22,635	5,084	-	32,368	90,970
Chapter and group support	89	-	1,434	230	-	55,193	-	(51,091)	5,855	10,276
Professional development	1,084	442	-	5,923	-	4,905	6,875	-	19,229	8,091
Events and outings	75	896	2,884	773	-	846	134	-	5,608	15,086
	<u>131,724</u>	<u>149,734</u>	<u>1,291,732</u>	<u>162,596</u>	<u>23,166</u>	<u>1,525,243</u>	<u>215,515</u>	<u>(51,091)</u>	<u>3,448,619</u>	<u>3,447,652</u>
<b>Excess (deficiency) of revenue over expenses</b>	\$ <u>14,299</u>	\$ <u>10,772</u>	\$ <u>63,704</u>	\$ <u>(9,635)</u>	\$ <u>(12,411)</u>	\$ <u>(8,535)</u>	\$ <u>63</u>	\$ <u>-</u>	\$ <u>58,257</u>	\$ <u>137,456</u>

See notes to financial statements

STATEMENT OF NET ASSETS

**SIERRA CLUB OF CANADA**

	Ontario Chapter	Prairies Chapter	BC Chapter	Atlantic Canada Chapter	Quebec Chapter	National Office			December 31 2006	December 31 2005
						Unrestricted	Sierra Youth Coalition	Internal Transactions		
Net assets at beginning of year	\$ 18,976	\$ 906	\$ 30,750	\$ 18,534	\$ -	\$ 49,696	\$ (14,260)	\$ -	\$ 104,602	\$ (32,854)
Transfer from National Office to Quebec Chapter	-	-	-	-	4,071	(4,071)	-	-	-	-
Excess (deficiency) of revenue over expenses	<u>14,299</u>	<u>10,772</u>	<u>63,704</u>	<u>(9,635)</u>	<u>(12,411)</u>	<u>(8,535)</u>	<u>63</u>	<u>-</u>	<u>58,257</u>	<u>137,456</u>
<b>Net assets at end of year</b>	<u>\$ 33,275</u>	<u>\$ 11,678</u>	<u>\$ 94,454</u>	<u>\$ 8,899</u>	<u>\$ (8,340)</u>	<u>\$ 37,090</u>	<u>\$ (14,197)</u>	<u>\$ -</u>	<u>\$ 162,859</u>	<u>\$ 104,602</u>

See notes to financial statements

## NOTES TO FINANCIAL STATEMENTS

### SIERRA CLUB OF CANADA

December 31, 2006

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Sierra Club of Canada was formed under the Canada Corporations Act in 1969 and operates as a non-profit voluntary membership organization. It was established to explore, enjoy and protect the wild places of the earth, to practice and promote the responsible use of the earth's ecosystems and resources, to educate and enlist humanity to protect and restore the quality of the natural and human environment, and to use all lawful means to carry out these objectives.

Sierra Club of Canada operates under a license arrangement with the Sierra Club, headquartered in the United States. Sierra Club of Canada operates with a National Office as well as Chapters in British Columbia, Prairies, Ontario, Quebec and Atlantic Canada.

Capital Assets: Capital assets are stated at cost. Amortization is computed using the following method and rates:

	<u>Method</u>	<u>Rate</u>
Computer and telephone equipment	Declining balance	30%
Office furniture	Declining balance	20%

In the year of acquisition, capital asset purchases are amortized at one-half of the normal annual rate.

Revenue Recognition: Revenues from contracts are recognized by the deferral method, whereby revenue is recognized in the year in which the related expenses are incurred.

Revenue from donations and membership dues are recognized when received.

Use of Estimates: The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in revenue or expenses in the period in which they became known.

#### NOTE B--CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2006</u>	<u>2005</u>
Computer and telephone equipment	\$ 168,136	\$ 92,367	\$ 75,769	\$ 50,792
Office furniture	<u>14,423</u>	<u>12,387</u>	<u>2,036</u>	<u>2,551</u>
	<u>\$ 182,559</u>	<u>\$ 104,754</u>	<u>\$ 77,805</u>	<u>\$ 53,343</u>

## NOTES TO FINANCIAL STATEMENTS

### SIERRA CLUB OF CANADA

December 31, 2006

#### NOTE C--FINANCIAL INSTRUMENTS

Sierra Club of Canada's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, and due to Sierra Club of Canada Foundation, the fair value of which approximates their carrying value due to the immediate or short-term maturity of these instruments.

It is management's opinion that the organization is not exposed to significant interest rate or credit risk arising from these financial instruments.

#### NOTE D--SIERRA YOUTH COALITION

Sierra Youth Coalition (SYC) is the youth-run arm of Sierra Club of Canada with operations out of the National Office. For presentation on the statement of revenue and expenses, SYC's operations are shown separately for information purposes. However, SYC is part of National Office and therefore does not have its own balance sheet.

#### NOTE E--STATEMENT OF CASH FLOWS

A statement of cash flows has not been provided as it would not provide additional meaningful information.

#### NOTE F--COMMITMENTS

The National Office and Chapters have entered into various lease commitments for office accommodation and photocopier equipment. Annual lease payments are as follows:

2007	\$	71,369
2008		71,651
2009		<u>11,942</u>
	\$	<u>154,962</u>

#### NOTE G--CHANGE IN ACCOUNTING POLICIES

The Canadian Institute of Chartered Accountants has issued new and revised accounting policy recommendations (Sections 3862, 3863 and 3855) which deal with Financial Instruments - Presentation, Recognition and Measurement. These Sections are primary sources of generally accepted accounting principles. These Sections are in effect for fiscal years beginning on or after October 1, 2006 and the Club has chosen not to adopt earlier.

The possible impact of these new and revised policies on the Club's financial statements is not known and cannot be reasonably estimated.

NOTES TO FINANCIAL STATEMENTS

**SIERRA CLUB OF CANADA**

December 31, 2006

**NOTE H--OTHER INFORMATION**

The Sierra Club of Canada Foundation and the Sierra Club of BC Foundation are registered charitable organizations governed by their own Boards of Directors. The Foundations' missions are to advance the preservation and protection of the natural environment through charitable projects of the Sierra Club of Canada and its chapters.