

SIERRA CLUB OF CANADA FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2013

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PARKER PRINS LEBANO
Chartered Accountants
Professional Corporation

INDEPENDENT AUDITORS' REPORT

To the Members of the:
SIERRA CLUB OF CANADA FOUNDATION

Report on the Financial Statements

We have audited the accompanying financial statements of the SIERRA CLUB OF CANADA FOUNDATION, which comprise the Statement of Financial Position as at December 31, 2013, and the Statements Of Operations And Net Assets, 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 accounting standards for not-for-profit organizations 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.

Auditors' 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 organization'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 organization'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 financial statements present fairly, in all material respects, the financial position of the SIERRA CLUB OF CANADA FOUNDATION as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in cursive script, appearing to read 'Parker Prins Lebano'.

Parker Prins Lebano Chartered Accountants Professional Corporation
Authorized to practice public accounting by the Chartered Professional Accountants of Ontario

Ottawa, Ontario
June 12, 2014

**SIERRA CLUB OF CANADA FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013**

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 319,806	\$ 263,947
Accounts receivable	14,177	7,448
Prepaid expenses	309	1,438
Current portion loans receivable - related party (note 4)	23,314	5,075
Due from related party (note 5)	<u>11,521</u>	<u>13,350</u>
	369,127	291,258
LOANS RECEIVABLE - RELATED PARTY (note 4)	<u>71,724</u>	<u>-</u>
	<u>\$ 440,851</u>	<u>\$ 291,258</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 34,721	\$ 15,280
Deferred revenue (note 5)	257,186	79,329
Due to related party (note 5)	<u>-</u>	<u>1,126</u>
	291,907	95,735
NET ASSETS	<u>148,944</u>	<u>195,523</u>
	<u>\$ 440,851</u>	<u>\$ 291,258</u>

Approved by the Board:

_____ Director _____ Director

SIERRA CLUB OF CANADA FOUNDATION
STATEMENT OF CHANGES NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
NET ASSETS		
BALANCE, BEGINNING OF YEAR	\$ 195,523	\$ 218,363
DEFICIENCY OF REVENUE OVER EXPENDITURE	<u>(46,579)</u>	<u>(22,840)</u>
BALANCE, END OF YEAR	<u>\$ 148,944</u>	<u>\$ 195,523</u>

**SIERRA CLUB OF CANADA FOUNDATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u>	<u>2012</u>
REVENUE		
Donations - other charitable organizations	\$ 157,069	\$ 301,805
Donations - individual and corporate	278,677	222,598
Project administration fees	23,249	14,510
Investment and other	5,720	2,877
Project recoveries (note 5)	<u>36,515</u>	<u>-</u>
	<u>501,230</u>	<u>541,790</u>
 EXPENDITURE		
Program (note 6)	329,275	285,671
Administrative (note 6)	186,862	248,225
Fundraising	<u>31,672</u>	<u>30,734</u>
	<u>547,809</u>	<u>564,630</u>
 DEFICIENCY OF REVENUE OVER EXPENDITURE FOR THE YEAR	 <u>\$ (46,579)</u>	 <u>\$ (22,840)</u>

**SIERRA CLUB OF CANADA FOUNDATION
STATEMENT OF CASHFLOWS
DECEMBER 31, 2013**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES		
Deficiency of revenue over expenditure for the year	\$ (46,579)	\$ (22,840)
Net changes in non-cash items related to operations:		
Accounts receivable	(6,729)	19,908
Prepaid expenses	1,129	(346)
Due from related party	1,829	(13,350)
Deferred revenue	177,857	16,930
Accounts payable and accrued liabilities	19,441	(14,022)
Due to related party	<u>(1,126)</u>	<u>1,126</u>
	<u>145,822</u>	<u>(12,594)</u>
CASH FLOWS (USED FOR) FROM FINANCING ACTIVITIES		
Loan receivable - related party	<u>(89,963)</u>	<u>8,359</u>
INCREASE (DECREASE) IN CASH	55,859	(4,235)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>263,947</u>	<u>268,182</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 319,806</u>	<u>\$ 263,947</u>
Cash and cash equivalents consist of:		
Cash	\$ 191,565	\$ 109,397
Money market fund	<u>128,241</u>	<u>154,550</u>
	<u>\$ 319,806</u>	<u>\$ 263,947</u>

**SIERRA CLUB OF CANADA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

1. PURPOSE OF THE FOUNDATION

The Sierra Club of Canada Foundation was incorporated without share capital under the Corporations Act (Ontario) and is a registered charitable foundation under the Income Tax Act (Canada). The purpose of the Foundation is to advance the preservation and protection of the natural environment with charitable resources.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Revenue and expenditures are recorded on the accrual basis whereby they are reflected in the accounts in the period in which they have been earned and incurred respectively, whether or not such transactions have been finally settled by the receipt or payment of money.

USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

REVENUE RECOGNITION

Donations not designated for a specific purpose are recognized as revenue when they are received. Donations which are designated for specific programs are deferred and recognized as revenue over the period of the program as costs are incurred.

GRANTS

Grants are subject to specific terms and conditions regarding the expenditure of the funds. The Foundation's records are subject to audit by the funders to identify instances, if any, in which amounts charged to the grants have not complied with the agreed terms and conditions, and which would therefore be refundable. Adjustments, if any, would be recorded in the year in which the funder requests the adjustment.

VOLUNTEER SERVICES

The Foundation receives the services of many volunteers, the cost of which cannot be reasonably estimated. Therefore, no representation of this expenditure has been included in these financial statements.

3. FINANCIAL INSTRUMENTS

The Foundation's financial instruments consist of cash and cash equivalents, accounts receivable, due from related party, loan receivable - related party, owing to Chapters and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values, unless otherwise stated. It is management's opinion that the Foundation is not exposed to significant interest rate or currency risks arising from these financial instruments.

CREDIT RISK

The Foundation is exposed to credit risk through a related party loan receivable from the Sierra Club Canada. The Foundation maintains ongoing communications to manage this risk.

SIERRA CLUB OF CANADA FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 DECEMBER 31, 2013

4. LOANS RECEIVABLE - RELATED PARTY

	<u>2013</u>	<u>2012</u>
Loan receivable from the Sierra Youth Coalition, bearing interest at 1% per annum, originally maturing September 7, 2013. The remaining balance of \$500 was repaid subsequent to year end.	\$ 500	\$ 5,075
Loan receivable from the Sierra Youth Coalition, bearing interest at 3% per annum, with monthly payments of \$105.38, maturing December 1, 2017.	4,761	-
Loan receivable from the Sierra Youth Coalition, no fixed terms of repayment.	2,305	-
Loan receivable from the Sierra Club Canada, bearing interest at 3% per annum, with monthly payments of \$1,250.75, maturing December 1, 2017.	56,537	-
Loan receivable from the Sierra Club Canada, bearing interest at 3% per annum, with monthly payments of \$181.31, maturing December 1, 2017.	8,293	-
Loan receivable from the Sierra Club Canada, bearing interest at 3% per annum, with monthly payments of \$176, maturing December 1, 2017.	8,031	-
Loan receivable from the Sierra Club Canada, bearing interest at 3% per annum, with monthly payments of \$236, maturing December 1, 2017.	10,664	-
Loan receivable from the Sierra Club Canada, no fixed terms of repayment.	<u>3,947</u>	<u>-</u>
	95,038	5,075
Less current portion	<u>23,314</u>	<u>5,075</u>
	<u>\$ 71,724</u>	<u>\$ -</u>

During the prior year, the loan to Sierra Club Canada was paid off and \$4,925 in funds collected by the Foundation on behalf of the Sierra Youth Coalition were applied against their loan receivable.

SIERRA CLUB OF CANADA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2013

5. RELATED PARTY TRANSACTIONS

As a charitable organization, the Foundation manages the charitable projects delivered by the Sierra Club Canada and its Chapters and Sierra Youth Coalition (which are divisions of Sierra Club Canada), therefore the organizations are related.

During the year, the Sierra Club of Canada Foundation and the Sierra Club Canada reorganized the delivery of the activities. Both organizations shared affected employee salary expenses.

In 2013, the Club was no longer delivering projects for the Foundation. By year end the Foundation had assumed contracts for employment of former Club employees. The contract dates vary from September to November 2013.

DUE TO/FROM RELATED PARTY

Some of the donations made to the Foundation are collected by the Sierra Club Canada on behalf of the Foundation. The Sierra Club provides administrative and credit card processing services to the Foundation on a cost recovery basis. During the year, the Foundation also provided financial assistance to the Club by covering various salary and administrative expenses. As at December 31, 2013, the Club Chapters owed the Foundation \$11,521 (2012 - \$13,350). In 2012, the Foundation owed a Chapter \$1,126.

DEFERRED REVENUE

The Foundation also provides managerial and administrative support to other not-for-profit organizations and charities. Included in deferred revenue is \$80,798 (2012 - \$17,320) in funds designated for the use of these other organizations.

PROJECT RECOVERIES

During the year, the Foundation charged the Sierra Club Canada \$36,515 (2012 - \$Nil) in fees relating to projects undertaken by the Foundation on behalf of the Club.

PROGRAM EXPENDITURES

During the year, \$295,609 (2012 - \$218,172) reported as program expenditures was paid to the Sierra Club Canada, and its Chapters, to execute charitable programs on behalf of the Foundation.

ADMINISTRATIVE EXPENDITURES

Administrative expenditures have been offset by \$11,000 (2012 - \$36,335) in rent recoveries charged to the Sierra Club Canada. The 2012 rent recovery figure includes recoveries from the Sierra Club Canada and the Sierra Youth Coalition.

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

SIERRA CLUB OF CANADA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2013

6. MANAGEMENT AGREEMENT

Effective April 1, 2012, the management and fundraising contracts between the Foundation and the Club's national office were discontinued. The management and fundraising contracts were replaced with a new agreement in which the position of Administrator was eliminated. Under the terms of the new agreement, the Foundation agreed to share in the cost of salaries and benefits of four employees of the Club's National office.

7. LEASE COMMITMENTS

The Foundation is committed to operating leases for office facilities. Minimum payments over the next five years are as follows:

2014	\$	45,542
2015		38,041
2016		20,614
2017		20,880
2018		21,251

8. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the current year financial statement presentation.