

**SIERRA CLUB CANADA FOUNDATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

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**PARKER PRINS LEBANO**  
**Chartered Accountants**  
Professional Corporation

**INDEPENDENT AUDITORS' REPORT**

To the Members of:  
SIERRA CLUB CANADA FOUNDATION

**Report on the Financial Statements**

We have audited the accompanying financial statements of SIERRA CLUB CANADA FOUNDATION, which comprise the Balance Sheet as at December 31, 2011, and the Statements Of Changes In Net Assets, and Operations 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.

**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 SIERRA CLUB CANADA FOUNDATION as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in cursive script, reading 'Parker Prins Lebano'.

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

Ottawa, Ontario  
September 5, 2012

**SIERRA CLUB CANADA FOUNDATION**  
**BALANCE SHEET**  
**AS AT DECEMBER 31, 2011**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 268,182	\$ 566,891
Accounts receivable	27,356	29,692
Prepaid expenses	1,092	3,208
Current portion loan receivable - related party (note 4)	6,000	6,000
Due from related party (note 5)	<u>-</u>	<u>7,849</u>
	302,630	613,640
 LOAN RECEIVABLE - RELATED PARTY (note 4)	 <u>7,434</u>	 <u>18,393</u>
	<b><u>\$ 310,064</u></b>	<b><u>\$ 632,033</u></b>
 <b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 29,302	\$ 13,358
Deferred revenue	62,399	267,418
Owing to Chapters (note 5)	<u>-</u>	<u>89,747</u>
	91,701	370,523
 <b>NET ASSETS</b>	 <u>218,363</u>	 <u>261,510</u>
	<b><u>\$ 310,064</u></b>	<b><u>\$ 632,033</u></b>

Approved by the Board:

\_\_\_\_\_ Director \_\_\_\_\_ Director

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**SIERRA CLUB CANADA FOUNDATION  
STATEMENT OF CHANGES NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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	<u>2011</u>	<u>2010</u>
<b>NET ASSETS</b>		
BALANCE, BEGINNING OF YEAR	\$ 261,510	\$ 305,795
DEFICIENCY OF REVENUE OVER EXPENDITURE	<u>(43,147)</u>	<u>(44,285)</u>
BALANCE, END OF YEAR	<u>\$ 218,363</u>	<u>\$ 261,510</u>

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**SIERRA CLUB CANADA FOUNDATION  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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	<u>2011</u>	<u>2010</u>
<b>REVENUE</b>		
Donations - other charitable organizations	\$ 517,187	\$ 806,111
Donations - individual and corporate	334,645	105,475
Administration fees	50,022	42,852
Investment and other	<u>15,336</u>	<u>8,683</u>
	<u>917,190</u>	<u>963,121</u>
 <b>EXPENSES</b>		
Program	732,998	860,745
Administrative	125,647	98,190
Fundraising	<u>101,692</u>	<u>48,471</u>
	<u>960,337</u>	<u>1,007,406</u>
 <b>DEFICIENCY OF REVENUE OVER EXPENDITURE FOR THE YEAR</b>	 <u>\$ (43,147)</u>	 <u>\$ (44,285)</u>

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**SIERRA CLUB CANADA FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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**1. PURPOSE OF THE FOUNDATION**

Sierra Club 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 generally accepted accounting principles 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.

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**SIERRA CLUB CANADA FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2011**

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**3. FINANCIAL INSTRUMENTS (continued)**

**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.

**4. LOAN RECEIVABLE - RELATED PARTY**

	<u>2011</u>	<u>2010</u>
Loan receivable from the Sierra Club Canada, initially bearing interest at 6% per annum, with monthly payments of \$3,000, maturing December 31, 2010. Rewritten in August 2010 to bear interest of 3% per annum, with monthly repayments of \$500, maturing January 31, 2015.	\$ 13,434	\$ 24,393
Less current portion	<u>6,000</u>	<u>6,000</u>
	<u>\$ 7,434</u>	<u>\$ 18,393</u>

During the year, \$5,350 in donations collected by the Foundation on behalf of the Sierra Club Canada were applied against the loan receivable.

**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.

Included in accounts receivable is \$14,995 due from the Sierra Youth Coalition relating to invoices paid to suppliers by the Foundation on behalf of the Sierra Youth Coalition.

Included in accounts payable is \$8,438 due to the Sierra Club Ontario Chapter relating to service agreement work performed by the Chapter on behalf of the Foundation.

During the year, \$640,824 (2010 - \$802,302), reported as program expenditures was paid to the Sierra Club Canada, and its chapters, to execute charitable programs on behalf of the Foundation.

Some of the donations made to the Foundation are collected by Sierra Club Canada on behalf of the Foundation. As well, the Sierra Club Canada provides office and credit card processing services to the Foundation on a cost recovery basis. The net amount of these transactions outstanding as at December 31, 2011 is a balance of \$Nil (2010 - \$7,849). At year end, \$4,315 in donations collected by the Foundation on behalf of the Sierra Club of Canada were applied against the amount due in order to bring the balance to zero.

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**SIERRA CLUB CANADA FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2011**

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**5. RELATED PARTY TRANSACTIONS (continued)**

The Club provided services to the Foundation in 2011. For the services provided, the Foundation owed the Chapters as at December 31, 2011, \$Nil (2010 - \$89,747). Due to legal advice obtained by the Foundation during the year, the Board of Directors ended the practice of recording funds received from other foundations or individuals as owing to the Chapters. As a result of this decision, approximately \$47,165 in funds owing to the Chapters were recognized as revenue of the Foundation or offset against amounts owing from the Chapters to the Foundation.

During the year, the Foundation advanced \$5,900 in funds to the Sierra Youth Coalition. Donations collected by the Foundation on behalf of the Sierra Youth Coalition in the amount of \$4,360 were then applied against the advanced funds. The remaining \$1,540 was collected by the Foundation before year end.

During the year, the Foundation assumed the lease for the premises occupied by itself, the Club's National Office and the Sierra Youth Coalition from the Club effective January 1, 2011 and expiring February 28, 2014. Future minimum lease payments, under the terms of the agreement, are \$73,457, plus applicable taxes, per annum.

During the year, the Foundation signed an agreement to lease back to the Club a portion of the premises held under the lease assumed from the Club effective January 15, 2011 and expiring January 15, 2012, with an option to go month-to-month for the remaining term of the assumed lease, at a rate of \$24,000 per annum.

During the year, the Foundation signed an agreement to lease to the Club a portion of the premises held under the lease assumed from the Club effective January 15, 2011 and expiring January 15, 2012, with an option to go month-to-month for the remaining term of the assumed lease, at a rate of \$16,572 per annum.

During the year, the Foundation signed an agreement to purchase services from the Club for the period January 1 to December 31, 2011 in the sum of \$24,000 per annum, payable in monthly installments.

During the year, the Foundation signed an agreement to purchase fundraising services from the Club for the period February 1, 2011 to June 1, 2011 in the amount of \$25,000 payable in monthly installments. This agreement was in place for the full year and ended March 31, 2012 and a total of \$55,000 was paid by the Foundation to the Club for the services provided.

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

**6. SUBSEQUENT EVENTS**

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. Four part-time positions were then created to administer the affairs of the Foundation. Under the terms of the agreement, the Club's National office has assumed the remuneration responsibilities of the newly formed positions. The Foundation will reimburse the National office for the costs relating to the new-part time positions .

**7. STATEMENT OF CASH FLOWS**

This statement has not been prepared as all of the relevant information is apparent from the other financial statements.

**8. COMPARATIVE FIGURES**

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