

Financial Statements of

**SIERRA CLUB OF BRITISH COLUMBIA
FOUNDATION**

Year ended December 31, 2019

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Financial Statements

Year ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Directors of Sierra Club of British Columbia Foundation

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Sierra Club of British Columbia Foundation ("the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report and includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Entity's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a matter that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding period.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small arrowhead pointing to the right.

Chartered Professional Accountants

Victoria, Canada
May 31, 2020

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	Operating Fund	Special Purpose Fund	Total 2019	Total 2018
Assets				
Current assets:				
Cash and cash equivalents	\$ 509,037	\$ 420,166	\$ 929,203	\$ 753,385
Accounts receivable	12,870	4,180	17,050	15,604
Grants receivable	6,250	-	6,250	-
Prepaid expenses	5,777	-	5,777	6,944
	533,934	424,346	958,280	775,933
Capital assets (note 2)	24,742	-	24,742	16,234
	\$ 558,676	\$ 424,346	\$ 983,022	\$ 792,167

Liabilities

Current liabilities:				
Accounts payable and accrued liabilities	\$ 89,249	\$ 39,719	\$ 128,968	\$ 59,005
Deferred revenue (note 3)	-	384,627	384,627	412,027
Current portion of obligation under capital lease	-	-	-	2,208
	89,249	424,346	513,595	473,240
Deferred capital contributions (note 4)	56,042	-	56,042	-

Fund Balances

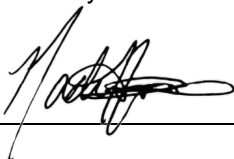
Unrestricted	307,377	-	307,377	318,927
Internally restricted (note 8)	106,008	-	106,008	-
	413,385	-	413,385	318,927

Commitments (note 7)
Subsequent events (note 10)

	\$ 558,676	\$ 424,346	\$ 983,022	\$ 792,167
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See accompanying notes to financial statements.

Approved by the Board:



Director



Director

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended December 31, 2019, with comparative information for 2018

	Operating Fund	Special Purpose Fund	Total 2019	Total 2018
				(Schedule 1)
Revenue:				
Grants	\$ 237,134	\$ 480,118	\$ 717,252	\$ 764,316
Community Gaming Grant	-	121,662	121,662	110,079
Federal government grants	-	40,000	40,000	43,374
Donations and fundraising	849,416	100,659	950,075	619,059
Other income	5,308	-	5,308	8,590
	1,091,858	742,439	1,834,297	1,545,418
Expenses:				
Salaries and benefits	323,259	392,472	715,731	591,302
Development and fundraising	534,323	-	534,323	240,835
Administration and office	112,238	143,813	256,051	254,671
Charitable activities carried out under agency agreements (note 5)	-	180,011	180,011	253,943
Rent and occupancy costs	28,154	-	28,154	26,860
Amortization	8,451	-	8,451	6,257
Professional fees	14,258	-	14,258	14,258
Service charges and interest	2,707	153	2,860	2,921
	1,023,390	716,449	1,739,839	1,391,047
Excess of revenue over expenses	68,468	25,990	94,458	154,371
Interfund transfers (note 8):				
Administration fees	42,522	(42,522)	-	-
Program costs	(16,532)	16,532	-	-
	25,990	(25,990)	-	-
Fund balances, beginning of year	318,927	-	318,927	164,556
Fund balances, end of year	\$ 413,385	\$ -	\$ 413,385	\$ 318,927

See accompanying notes to financial statements.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses:		
Operating Fund	\$ 68,468	\$ 158,321
Special Purpose Fund	25,990	(3,950)
Items not involving cash:		
Amortization of capital assets	8,451	6,257
Amortization of deferred capital contributions	(3,958)	-
Changes in non-cash working capital balances:		
Accounts receivable	(1,446)	(3,522)
Grants receivable	(6,250)	-
Prepaid expenses	1,167	(5,286)
Accounts payable and accrued liabilities	69,963	(10,926)
Deferred revenue	(27,400)	(148,578)
	<u>134,985</u>	<u>(7,684)</u>
Investing activities:		
Purchase of capital assets	(16,959)	(1,207)
Redemption of investments	-	108,960
	<u>(16,959)</u>	<u>107,753</u>
Financing activities:		
Principal payments under capital lease obligations	(2,208)	(6,265)
Deferred capital contributions received	60,000	-
	<u>57,792</u>	<u>(6,265)</u>
Increase in cash and cash equivalents	175,818	93,804
Cash and cash equivalents, beginning of the year	753,385	659,581
Cash and cash equivalents, end of year	<u>\$ 929,203</u>	<u>\$ 753,385</u>

See accompanying notes to financial statements.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2019

The Sierra Club of British Columbia Foundation (the "Foundation") is incorporated under the Societies Act of British Columbia and is a registered charity under the Income Tax Act. The purpose of the Foundation is to encourage exploration and preservation of the earth's ecosystems; to promote public awareness of natural values; to promote research on natural resource usage and preservation; and to conduct education in order to protect these resources.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Fund accounting:

The Foundation records its activities in the following funds:

Operating Fund:

The Operating Fund accounts for the Foundation's general operations and administration. This fund reports unrestricted donations and grants and administration fees.

Special Purpose Fund:

The Special Purpose Fund accounts for program delivery of the Foundation.

(b) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are deferred and recognized as revenue in the appropriate fund in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions for the purchase of capital assets that will be amortized are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

Donated materials and services are recognized in the financial statements when a fair value can be reasonably established, when the materials and services are used in the normal course of operations and would otherwise have been purchased.

(c) Cash and cash equivalents:

Cash and cash equivalents include short-term investments with original maturities of three months or less.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2019

1. Significant accounting policies (continued):

(d) Capital assets:

Purchased capital assets are stated at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Rates and the basis of amortization applied to write off the cost less estimated salvage value of capital assets over their estimated lives are as follows:

Asset	Basis
Computer equipment - general	55% declining balance
Computer equipment - server	10 years straight line
Computer software	45% declining balance or 3 years straight line

When a capital asset no longer has any long-term service potential to the Foundation, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions which 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 period. Actual results could differ from those estimates.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2019

1. Significant accounting policies (continued):

(f) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Capital assets:

December 31, 2019	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 47,983	\$ 25,098	\$ 22,885
Computer software	26,685	24,828	1,857
	\$ 74,668	\$ 49,926	\$ 24,742

December 31, 2018	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 47,857	\$ 31,628	\$ 16,229
Computer software	55,765	55,760	5
	\$ 103,622	\$ 87,388	\$ 16,234

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2019

3. Deferred revenue:

Deferred revenue comprises externally restricted contributions received in the current year or a prior year which will be recognized as revenue when the related expenses are incurred.

Operating Fund	2019	2018
Deferred revenue, beginning of year	\$ 33,242	\$ 144,778
Amounts recognized as revenue in the year	(36,537)	(126,094)
Amounts received during the year	3,295	14,558
Deferred revenue, end of year	\$ -	\$ 33,242

Special Purpose Fund	2019	2018
Deferred revenue, beginning of year	\$ 378,785	\$ 415,827
Amounts recognized as revenue in the year	(936,898)	(883,948)
Amounts received during the year	942,740	846,906
Deferred revenue, end of year	\$ 384,627	\$ 378,785

Of the deferred revenue amounts received within the Special Purpose Fund, \$194,459 (2018 - \$185,948) relate to administration fees on grants recognized in the Operating Fund as described in note 8. The deferred revenue balance within the Special Purpose Fund as at December 31, 2019 included Community Gaming grants of \$120,406 (2018 - \$121,000), and restricted contributions from private foundations and donors of \$ 264,221 (2018 - \$257,785).

4. Deferred capital contributions:

During 2019 the Foundation received \$60,000 in restricted contributions to be used towards the acquisition of information technology assets. Of the amounts received \$14,396 was spent on capital projects and \$45,604 remains unspent at year end.

	2019	2018
Balance, beginning of year	\$ -	\$ -
Current year contributions received	60,000	-
Amounts amortized to revenue	(3,958)	-
Balance, end of year	\$ 56,042	\$ -

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2019

5. Charitable activities carried out under agency agreements:

The Foundation has agency agreements with various organizations to carry out joint initiatives that further the Foundations objectives. Administration fees are charged on cash received that is to be paid out in accordance with agency agreements. See note 8.

6. Financial risks and concentration of credit risk:

(a) Foreign currency risk

The Foundation occasionally receives monetary donations and grants denominated in US dollars. The Canadian equivalent upon conversion of these US dollar contributions is subject to foreign exchange risk. The Foundation held US dollar cash and cash equivalents valued at \$1,361 CAD as at December 31, 2019 (2018 - \$36 CAD).

(b) Credit risk

Credit risk is the risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument. For cash and receivables the Foundation's credit risk is limited to the carrying value on the statement of financial position.

The Foundation manages the risk associated with the concentration of credit risk through its policy of dealing with credit worthy financial institutions.

It is management's opinion that the Foundation is not exposed to significant interest or liquidity risks arising from its financial instruments.

7. Commitments:

The Foundation is committed under operating lease agreements for office premises until May 31, 2020 and various office equipment until November 2024. Future minimum lease payments under the leases are as follows:

2020	\$ 17,603
2021	2,805
2022	2,805
2023	2,805
2024	2,805
Total	\$ 28,823

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2019

8. Interfund transfers:

Effective January 1, 2017, the Foundation amended its internal policy for the treatment of administration fees and interfund transfers as follows:

- The portion of externally restricted grants restricted for use towards program delivery is recognized as revenue within the Special Purpose Fund, and the portion agreed by the funder to be used for general operations and administration costs is recognized as revenue within the Operating Fund. Administration fees related to Special Purpose Fund grants recognized in the Operating Fund during the year were \$194,459 (2018 - \$185,948).
- Administration fees of 30% (2018 - 30%) were charged on externally restricted donations received within the Special Purpose Fund. During the year, \$26,762 in administration fees related to Special Purpose Fund donations were transferred to the Operating Fund (2018 - \$26,247). An offsetting interfund transfer is made from the Operating Fund back to the Special Purpose Fund as needed to recover the full cost of program delivery. During the year the Operating Fund transferred \$16,532 to the Special Purpose Fund to supplement the full cost of certain program delivery (2018 - \$47,846).
- Administration fees of 9% (2018 - 7%) were charged on cash received that is to be paid to external agents under contract of service. During the year, \$15,760 in administration fees were transferred from the Special Purpose Fund to the Operating Fund (2018 - \$17,649).
- No allocation of core operating costs (accounting, human resources, information technology services, communications and shared office expenses) is made to the Special Purpose Fund expenses.

On January 23, 2020, the Foundation Board of Directors approved a motion to internally restrict \$106,008 of the December 31, 2019 unrestricted operating fund balance for information technology upgrades.

9. Director, employee and contractor remuneration:

The BC Societies Act requires disclosure in the financial statements of the remuneration of directors, employees and contractors. For employee and contractor remuneration the requirement is to disclose amounts paid to individuals whose remuneration was greater than \$75,000.

Accordingly, there was one employee of the Foundation paid \$86,535 for the fiscal year ending December 31, 2019. For the fiscal year ending December 31, 2018, the Foundation did not pay remuneration of \$75,000 or greater to any employees or contractors for services.

There were no remuneration payments made to directors in 2019 or 2018.

10. Subsequent events:

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the Foundation are not known at this time.

SIERRA CLUB OF BRITISH COLUMBIA FOUNDATION

Statement of Operations and Changes in Fund Balances

Schedule 1

Year ended December 31, 2018

	Operating Fund	Special Purpose Fund	Total
Revenue:			
Grants	\$ 308,667	\$ 455,649	\$ 764,316
Community Gaming Grant	-	110,079	110,079
Federal government grants	3,374	40,000	43,374
Donations	526,787	92,272	619,059
Other income	8,590	-	8,590
	847,418	698,000	1,545,418
Expenses:			
Salaries and benefits	236,310	354,992	591,302
Development	240,835	-	240,835
Administration and office	161,737	92,934	254,671
Charitable activities carried out under agency agreements (note 5)	-	253,943	253,943
Rent and occupancy costs	26,860	-	26,860
Amortization	6,257	-	6,257
Professional fees	14,258	-	14,258
Service charges and interest	2,840	81	2,921
	689,097	701,950	1,391,047
Excess (deficiency) of revenue over expenses	158,321	(3,950)	154,371
Interfund transfers (note 8):			
Administration fees	43,896	(43,896)	-
Program costs	(47,846)	47,846	-
	(3,950)	3,950	-
Fund balances, beginning of year	164,556	-	164,556
Fund balances, end of year	\$ 318,927	\$ -	\$ 318,927