

Combined financial statements and independent auditor's report
of



December 31, 2010

Combined financial statements

Year ended December 31, 2010

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Independent auditor's report

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To the Members of

Tides Canada Foundation and Tides Canada Initiatives Society ("Tides Canada")

We have audited the accompanying combined financial statements of Tides Canada, which comprise the combined statement of financial position as at December 31, 2010, and the combined statements of revenue and expenditures, changes in fund balances 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 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.

Auditor's 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 entity'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 entity'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 combined financial statements present fairly, in all material respects, the financial position of Tides Canada as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Vancouver, Canada

May 4, 2011

Chartered accountants

Combined statement of financial position


December 31, 2010

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 3,647,740	\$ 1,883,503
Term deposits	6,383,484	6,663,237
Accounts receivable	446,403	627,097
Prepaid expenses	133,458	69,792
Investments (Note 5)	24,175,931	21,546,877
Donated assets (Note 6)	1,019,946	769,946
Loans receivable (Note 7)	367,978	416,910
Property and equipment (Note 8)	1,303,697	1,425,995
TOTAL ASSETS	\$ 37,478,637	\$ 33,403,357
LIABILITIES		
Accounts payable & accrued liabilities	\$ 892,227	\$ 833,525
Deferred revenue	30,000	92,840
Deferred capital contribution (Note 8)	737,600	829,800
TOTAL LIABILITES	1,659,827	1,756,165
FUND BALANCES		
General	15,358,489	19,171,359
Externally Restricted	12,705,019	5,938,998
Endowment	7,755,302	6,536,835
TOTAL FUND BALANCES	35,818,810	31,647,192
TOTAL LIABILITIES AND FUND BALANCES	\$ 37,478,637	\$ 33,403,357

Commitments and contingencies (Note 9)

See the accompanying notes to the combined financial statements.

APPROVED BY:



Ross McGregor, Treasurer



Ross McMillan, President and CEO

Combined statement of revenues and expenditures

Year ended December 31, 2010

	General	Externally Restricted	Endowment	2010 Total	2009 Total
REVENUES					
Support awards and earned income	\$ 2,019,355	\$ -	\$ -	\$ 2,019,355	\$ 1,890,712
Other awards and donations	8,462,851	7,469,041	811,588	16,743,480	14,849,280
Investment and other revenue	670,892	462,338	135,869	1,269,099	1,171,327
TOTAL REVENUES	11,153,098	7,931,379	947,457	20,031,934	17,911,319
EXPENSES					
General and administrative (Note 10 and 11)	3,632,329	-	-	3,632,329	3,475,521
Loss on investments	4,832	59	-	4,891	1,300,614
Grant and program expenditures	5,528,169	7,670,113	53,895	13,252,177	14,680,773
TOTAL EXPENSES	9,165,330	7,670,172	53,895	16,889,397	19,456,908
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 1,987,768	\$ 261,207	\$ 893,562	\$ 3,142,537	\$ (1,545,589)

See the accompanying notes to the combined financial statements.

Combined statement of changes in fund balances

Year ended December 31, 2010

	<u>General</u>	<u>Externally Restricted</u>	<u>Endowment</u>	<u>2010 Total</u>	<u>2009 Total</u>
FUND BALANCES, BEGINNING OF YEAR	\$ 19,171,359	\$ 5,938,998	\$ 6,536,835	\$ 31,647,192	\$ 30,175,650
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	1,987,768	261,207	893,562	3,142,537	(1,545,589)
TRANSFERS (FROM)/TO FUNDS	(6,510,974)	6,504,814	6,160	-	-
UNREALIZED GAIN ON INVESTMENTS	710,336	-	318,745	1,029,081	3,017,131
FUND BALANCES, END OF YEAR	\$ 15,358,489	\$ 12,705,019	\$ 7,755,302	\$ 35,818,810	\$ 31,647,192

See the accompanying notes to the combined financial statements.

Combined statement of cash flows

Year ended December 31, 2010

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 3,142,537	\$ (1,545,589)
Adjust for items not requiring cash:		
Amortization	311,968	276,748
Amortization of deferred capital contribution	(92,200)	(92,200)
Donated assets and loans receivable	(511,122)	(416,910)
Gain on sale of donated assets	-	(12,970)
Changes in:		
Accounts receivable	180,694	59,439
Prepaid expenses	(63,666)	13,873
Accounts payable & accrued liabilities	58,702	378,189
Deferred revenue	(62,840)	92,840
Net cash (used in) provided by operating activities	2,964,073	(1,246,580)
INVESTING ACTIVITIES		
Repayment of loans receivable	48,932	-
Term deposits	279,753	1,096,873
Investments	(1,338,851)	947,551
Proceeds on sale of donated assets	-	62,786
Purchase of property and equipment	(189,670)	(312,466)
Net cash provided by (used in) investing activities	(1,199,836)	1,794,744
INCREASE IN CASH	1,764,237	548,164
CASH, BEGINNING OF YEAR	1,883,503	1,335,339
CASH, END OF YEAR	\$ 3,647,740	\$ 1,883,503

See the accompanying notes to the combined financial statements.

Notes to the combined financial statements

December 31, 2010

1. PURPOSES OF TIDES CANADA

Tides Canada Foundation (Tides) and Tides Canada Initiatives Society (TCI), operating jointly as 'Tides Canada' are registered not-for-profit societies and registered charities under the Income Tax Act. Neither Tides nor TCI are taxable under the Federal Income Tax Act.

Tides is a national public foundation and receives grants and donations from individuals, foundations, and corporations. The distribution of funds for philanthropic purposes is primarily through grant making. Tides' mission is to provide uncommon solutions for the common good by leading and supporting actions that foster a healthy environment and just Canadian society.

TCI is an operating charity, and receives grants and donations from individuals, foundations and corporations. TCI expends 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 TCI decided to operate the two organizations under common control. Tides and TCI have the same management, members, and board. Consequently the financial statements have been prepared as if the Foundation and the Charity were a single organization (Tides Canada) by the aggregation of their respective financial statements and the elimination of transactions and balances between them.

(b) *Fund accounting*

Tides Canada follows the restricted fund method of accounting for contributions.

General Fund

This fund includes earned income, awards, donations and investment income used to support Tides Canada's grant making activities and operations. Tides Canada's intention is to direct contributions in accordance with donors' fund purpose. Tides Canada retains control over distribution of grants.

Notes to the combined financial statements

December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Externally Restricted Fund

Awards and donations are restricted for specific purposes by donor-imposed stipulations. Investment income earned on resources of the externally restricted funds is reported in the Externally Restricted Fund or in the General Fund, dependant on any restrictions imposed by the contributors.

Endowment Fund

These funds 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*

Grants and donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Deferred revenue consists of grants received prior to year end for projects in future periods. Investment income is recognized as revenue when earned.

(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 Tides Canada's operations and would otherwise have been purchased.

(e) *Financial Instruments*

Financial instruments are classified as follows:

- Cash and term deposits as held for trading (measured at fair value through the statement of revenues and expenditures)
- Accounts and loans receivable as loans and receivables (measured at amortized cost using the effective interest method)
- Investments with a quoted market price in an active market as available for sale (measured at fair value on the Statement of Financial Position - adjustments to fair value are recorded to Fund Balances)

Notes to the combined financial statements

December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (continued)

- Donated assets and long term investments 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)

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, management uses the closing price of the most recent transaction of that instrument. Transaction costs incurred on the purchase and sale of securities are included in the investment balance. Purchase and sales of investments are recorded on the trade date.

(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) *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 Software	5 years
Furniture and equipment	3 - 6 years
Leasehold Improvements	over the remaining term plus one renewal option of the lease

(h) *Investment management expense allocations*

Investment management expenses are allocated to the General Fund, the Restricted Fund and the Endowment Fund based on estimates made by Tides Canada's management.

Notes to the combined financial statements

December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) *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.

(j) *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

Fair values

Tides Canada's financial instruments include cash, term deposits, accounts and loans receivables, donated assets, investments, and accounts payable and accrued liabilities. Unless otherwise noted, the estimated fair value of Tides Canada's financial instruments approximates their carrying value.

Market risk

Market risk is the potential for financial loss to Tides Canada from changes in the values of its financial instruments due to changes in interest rates, equity prices, currency exchange and other price risks. The investments of Tides Canada are subject to normal market fluctuations and to the risk inherent in investment in capital markets.

i) *Interest rate risk*

Interest rate risk is the risk that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises primarily from Tides Canada's investment in interest-bearing financial instruments. The value of fixed income securities will generally rise when interest rates fall and decrease when interest rates rise.

Changes in interest rates may also affect the value of equity securities.

Notes to the combined financial statements

December 31, 2010

3. FINANCIAL INSTRUMENTS (Continued)

ii) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate due to changes in market prices. Tides Canada is exposed to equity price risk on its investments in equity funds holding equity securities.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices, other than those arising from interest rates.

All investments represent a risk of loss of capital. Investments held by Tides Canada are susceptible to other price risk arising from uncertainties about future prices of the investments. The maximum risk resulting from the investments is determined by the fair value of their total investments.

Tides Canada actively manages market risk through its investment policy that outlines the objectives, constraints, and parameters related to its investment activities. The Audit Committee and management regularly review Tides Canada's investments to ensure all activities adhere to the investment policy.

Liquidity risk

Liquidity risk is the risk that Tides Canada cannot meet a demand for cash or fund its obligations as they come due. Maximum exposure to liquidity risk is \$892,227 as at December 31, 2010, which is due to be paid in full before December 31, 2011.

Liquidity risk is managed by investing the majority of Tides Canada's assets in investments that are traded in an active market and can be readily liquidated. In addition, Tides Canada retains sufficient cash positions to maintain liquidity.

Credit risk

Tides Canada is exposed to the risk that a counterparty defaults or becomes insolvent. Financial instruments that potentially subject Tides Canada to concentrations of credit risk are receivables and investments in pooled funds that hold debt securities that are exposed to such risks.

The maximum exposure to credit risk in terms of receivable is \$814,381 (2009: \$1,044,007). Tides Canada limits the credit risk of investments in money market funds and bond funds by dealing principally with counterparties that maintain a credit rating of Single A or higher as rated by Dominion Bond Rating Service or equivalent.

Notes to the combined financial statements

December 31, 2010

4. CAPITAL MANAGEMENT

Tides Canada's capital consists of General, Restricted, and Endowment fund capital totaling \$35,818,810 (2009: \$31,647,192) as detailed in the Combined Statement of Changes in Fund Balances.

The primary objectives when managing capital are to safeguard the sustainability of the organization, to provide sufficient capital to maintain operations, manage risks, and to effectively fund the environmental and social justice projects and activities for the common good.

Tides Canada manages capital through the regular monitoring of cash flows by maintaining sufficient cash levels, reviewing changes in cash levels, grant requirements, projections of donation revenues, and monthly financial results.

As a result of certain covenants, Tides Canada has restrictions on Endowment and Externally Restricted funds. For endowment, the capital is designated by donors to be held for periods of at least 10 years. For externally restricted funds, contributions are restricted for specific purposes by the donor. Tides Canada has complied with all externally imposed capital restrictions.

5. INVESTMENTS

Investments are comprised of the following at December 31:

	<u>2010</u>	<u>2009</u>
Money market	\$ 4,764,919	\$ 4,494,710
Bonds	8,050,252	7,358,080
Equity	10,806,664	9,694,087
Long term investment	292,974	-
Securities available for sale	261,122	-
TOTAL INVESTMENTS	\$ 24,175,931	\$ 21,546,877

Money market and bond funds have a weighted average yield of 2.08% (2009 – 0.30%) and 2.04% (2009 – 3.10%), respectively.

Long term investments are 284 units which were acquired in a social venture fund to invest in program related sectors that are critical for a sustainable economy and to generate investment returns. The companies are private companies and fair market value is not readily determinable. The investment is carried at cost.

Periodically, Tides Canada receives securities available for sale which are subsequently disposed of and credited to the donor advised fund.

Notes to the combined financial statements

December 31, 2010

6. DONATED ASSETS

	<u>2010</u>	<u>2009</u>
Limited Partnership interest	\$ 769,946	\$ 769,946
Limited liability company	250,000	-
TOTAL DONATED ASSETS	\$ 1,019,946	\$ 769,946

The Limited Partnership interest consists of 25 of 100 Class A Units. The primary asset is in land with the intention of establishing a land conservancy. The asset is recorded at cost as the market value is not determinable.

344 Class A units of a private Limited Liability Company which develops community venture capital funds were donated in 2010. The fair market value of the units upon receipt was \$250,000.

7. LOANS RECEIVABLE

Loans receivable consists of four loans granted to Tides Canada. Interest rates range from 2.5% to 6%, and terms range from six months to five years.

Of the four loan accounts, two have maturity dates that are beyond one year— July 2012 and November 2014. Outstanding amounts as of December 31, 2010 on these accounts are \$30,011 and \$87,967 respectively.

Notes to the combined financial statements

December 31, 2010

8. PROPERTY AND EQUIPMENT

Property and equipment from the General and Restricted Funds are comprised of the following:

	2010		2009	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	\$ 90,775	\$ 80,943	\$ 9,832	\$ -
Enterprise software	610,514	208,114	402,400	409,138
Furniture and equipment	510,655	400,519	110,136	137,922
Leasehold improvements	1,085,925	304,596	781,329	878,935
TOTAL PROPERTY AND EQUIPMENT	\$ 2,297,869	\$ 994,172	\$ 1,303,697	\$ 1,425,995

In 2008, gifted leasehold improvements of \$922,000 were received. The deferred capital contribution is being recognized over the amortization period of the leasehold improvements.

9. COMMITMENTS AND CONTINGENCIES

As of December 31, 2010, Tides Canada committed to grants totaling \$448,213. Payment of these grants is conditional on the recipients meeting certain criteria and providing certain supporting information.

Tides Canada committed to purchasing 709 units in a limited investment partnership, totaling \$731,404. As at the year end, 284 units totaling \$292,974 have been purchased (see Note 5). The remaining commitments of \$438,430 are required at the call of the general partner when further investment capital is required.

As at December 31, 2010, minimum rental commitments are as follows:

Year	Total
2011	\$ 566,063
2012	412,265
2013	417,372
	<u>\$ 1,395,700</u>

Notes to the combined financial statements

December 31, 2010

10. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2010</u>	<u>2009</u>
Staff costs	\$ 2,184,121	\$ 1,998,879
Professional services	233,093	482,975
Office expenses	589,927	490,497
Amortization	277,198	248,813
Travel	132,974	98,644
Finance costs	76,690	96,822
Marketing and communications	138,326	58,891
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	\$ 3,632,329	\$ 3,475,521

11. ALLOCATION OF EXPENSES

General and administrative expenses include investment management fees of \$93,393 (2009: \$106,376) which have been allocated as follows:

	<u>2010</u>	<u>2009</u>
General	\$ 75,000	\$ 97,769
Endowment, grant and program expenditures	18,393	8,607
TOTAL ALLOCATION OF EXPENSES	\$ 93,393	\$ 106,376