

Combined financial statements and
independent auditor's report of



December 31, 2014

Combined financial statements
Year ended December 31, 2014

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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, 2014 and the combined statements of revenues and expenses, 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 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.

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, 2014 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

A stylized, handwritten-style signature of "Grant Thornton LLP" in black ink.

Vancouver, Canada
May 28, 2015

Chartered Accountants

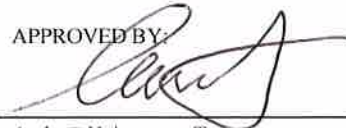
Combined statement of financial position
December 31, 2014

	2014	2013
ASSETS		
Current		
Cash	\$ 6,568,632	\$ 12,667,194
Term deposits	-	163,484
Accounts receivable	495,639	1,992,419
Prepaid expenses	186,111	137,563
	<u>7,250,382</u>	<u>14,960,660</u>
Investments (Note 5)	32,295,912	28,575,329
Donated assets (Note 6)	152,464	152,464
Loans receivable (Note 7)	133,250	561,289
Property and equipment (Note 8)	889,654	901,381
TOTAL ASSETS	\$ 40,721,662	\$ 45,151,123
LIABILITIES		
Current		
Accounts payable & accrued liabilities	\$ 1,248,673	\$ 1,560,611
Deferred revenue	92,200	92,200
	<u>1,340,873</u>	<u>1,652,811</u>
Deferred capital contribution (Note 8)	276,600	368,800
TOTAL LIABILITIES	1,617,473	2,021,611
FUND BALANCES		
General		
General	9,119,518	9,333,149
Externally restricted	8,018,157	13,899,337
Endowment	21,966,514	19,897,026
TOTAL FUND BALANCES	39,104,189	43,129,512
TOTAL LIABILITIES AND FUND BALANCES	\$ 40,721,662	\$ 45,151,123

Commitments (Note 9)

Contingency (Note 12)

See the accompanying notes to the combined financial statements.

APPROVED BY: 

Andrew Heintzman, Treasurer



Ross McMillan, President and CEO

Combined statement of revenues and expenses

Year ended December 31, 2014

	2014			2013				
	General	Externally Restricted	Endowment	Total 2014	General	Externally Restricted	Endowment	Total 2013
REVENUES								
Support awards and earned income	\$ 3,770,157	\$ -	\$ -	\$ 3,770,157	\$ 3,797,731	\$ -	\$ -	\$ 3,797,731
Other awards and donations	5,811,202	12,052,870	70,446	17,934,518	12,403,136	9,332,509	6,923,971	28,659,616
Investment income and other revenue	1,106,898	1,027,028	1,845,767	3,979,693	935,404	1,070,114	520,944	2,526,462
Realized gain (loss) on investments	245,546	-	605,957	851,503	20,676	(19)	47,123	67,780
Unrealized gain (loss) on investments	(32,421)	-	(181,936)	(214,357)	539,470	-	876,175	1,415,645
TOTAL REVENUES	10,901,382	13,079,898	2,340,234	26,321,514	17,696,417	10,402,604	8,368,213	36,467,234
EXPENSES								
General and administrative (Note 10 and 11)	5,548,425	-	-	5,548,425	5,490,631	-	-	5,490,631
Grant and program expenditures (Note 11)	5,503,968	19,039,707	254,737	24,798,412	4,861,817	18,216,971	484,293	23,563,081
TOTAL EXPENSES	11,052,393	19,039,707	254,737	30,346,837	10,352,448	18,216,971	484,293	29,053,712
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (151,011)	\$ (5,959,809)	\$ 2,085,497	\$ (4,025,323)	\$ 7,343,969	\$ (7,814,367)	\$ 7,883,920	\$ 7,413,522

See the accompanying notes to the combined financial statements.

Combined statement of changes in fund balances

Year ended December 31, 2014

	General	Externally Restricted	Endowment	Total 2014	Total 2013
FUND BALANCES, January 1	\$ 9,333,149	\$ 13,899,337	\$ 19,897,026	\$ 43,129,512	\$ 35,715,990
Excess (deficiency) of revenues over expenses	(151,011)	(5,959,809)	2,085,497	(4,025,323)	7,413,522
Transfers (from)/to funds	(62,620)	78,629	(16,009)	-	-
FUND BALANCES, December 31	\$ 9,119,518	\$ 8,018,157	\$ 21,966,514	\$ 39,104,189	\$ 43,129,512

See the accompanying notes to the combined financial statements.

Combined statement of cash flows

Year ended December 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (4,025,323)	\$ 7,413,522
Adjust for items not requiring cash:		
Amortization of property and equipment	303,374	397,701
Amortization of deferred capital contribution	(92,200)	(92,200)
Impairment loss on donated asset	-	344,536
Unrealized (gain) loss on investments	214,357	(1,415,645)
Grant applied to loan receivable	-	700,000
Changes in:		
Accounts receivable	1,496,780	494,092
Prepaid expenses	(48,548)	1,191
Accounts payable & accrued liabilities	(311,938)	226,356
Net cash provided by (used in) operating activities	(2,463,498)	8,069,553
INVESTING ACTIVITIES		
Repayment of loans receivable	524,456	521,166
Term deposits	163,484	-
Advances of loans receivable	(96,417)	(36,833)
Investments	(3,934,940)	(1,259,230)
Purchase of property and equipment	(291,647)	(264,374)
Net cash provided (used in) by operating activities	(3,635,064)	(1,039,271)
INCREASE (DECREASE) IN CASH	(6,098,562)	7,030,282
CASH, BEGINNING OF YEAR	12,667,194	5,636,912
CASH, END OF YEAR	\$ 6,568,632	\$ 12,667,194

See the accompanying notes to the combined financial statements.

Notes to the combined financial statements

December 31, 2014

1. PURPOSES OF TIDES CANADA

Tides Canada Foundation (Tides) and Tides Canada Initiatives Society (TCI), operating jointly as 'Tides Canada' are 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 that 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 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. STATEMENT OF COMPLIANCE WITH CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

3. 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 Tides and TCI were a single organization (Tides Canada) by the aggregation of their 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, 2014

3. 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, dependent on any restrictions imposed by the contributors.

Endowment Fund

Investment income earned on resources of the endowments is reported in the Endowment Fund or in the General Fund, dependent on any restrictions imposed by the contributors of funds for endowment.

(c) *Revenue Recognition*

Awards 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. Investment income is recognized as revenue when earned. Changes in the market value of investments measured at fair value are recorded as gains (losses) in the statement of revenues and expenses.

(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*

Tides Canada initially measures its financial assets and financial liabilities at fair value. Tides Canada subsequently measures all of its financial assets and financial liabilities at amortized cost, with the exception of investments with a quoted market price in an active market which are subsequently measured at fair value.

Financial assets measured at amortized cost include cash, term deposits, accounts receivable, loans receivable, donated assets and investments without a quoted market price in an active market.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Notes to the combined financial statements

December 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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
Website / portal	3 years
Furniture and equipment	3 - 6 years
Leasehold improvements	over the remaining term plus one renewal option of the lease

Property and equipment under development are not amortized until put into use.

(h) *Investment Management Expense Allocations*

Investment management expenses are allocated to the General Fund, the Externally Restricted Fund and the Endowment Fund on a pro-rata basis by Tides Canada's management.

(i) *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 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.

Notes to the combined financial statements

December 31, 2014

4. FINANCIAL INSTRUMENTS

The carrying amount of financial assets measured at amortized cost is \$8,079,230 as at December 31, 2014 (December 31, 2013: \$16,044,431).

The carrying amount of financial assets measured at fair value is \$31,566,667 as at December 31, 2014 (December 31, 2013: \$28,067,748).

The carrying amount of financial liabilities measured at amortized cost is \$1,248,673 as at December 31, 2014 (December 31, 2013: \$1,560,611).

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.

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.

Notes to the combined financial statements

December 31, 2014

4. FINANCIAL INSTRUMENTS (Continued)

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 Finance and Investment 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 \$1,248,673 as at December 31, 2014 (2013:\$1,560,611), which is due to be paid in full before December 31, 2015.

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.

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.

The maximum exposure to credit risk in terms of receivables is \$628,889 (2013: \$2,553,708). Tides Canada manages credit risk on receivables by ensuring sufficient security is in place to support repayment of the loan.

Notes to the combined financial statements

December 31, 2014

5. INVESTMENTS

	2014	2013
Money market	\$ 1,085,832	\$ 1,522,721
Bonds	12,423,577	13,145,909
Equity	17,007,258	12,836,411
Long-term deposits	1,050,000	550,000
Securities held for sale	-	12,707
Investments at fair value	31,566,667	28,067,748
Long term investment, at cost	729,245	507,581
Total Investments	\$ 32,295,912	\$ 28,575,329

Money market and bond funds have a weighted average yield of 1.00% and 3.4% (December 31, 2013: 1.06% and 2.95%) respectively.

During 2014, Tides Canada closed its investment accounts with Guardian Ethical Management and transferred all balances to Genus investment managers. As at December 31, 2014, Genus is the only investment manager retained by Tides Canada.

Long term investments consist of 759 (2013: 530 units) 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.

6. DONATED ASSETS

	2014	2013
Limited Partnership interest	\$ 152,463	\$ 152,463
Limited liability company	1	1
Total Donated Assets	\$ 152,464	\$ 152,464

The Limited Partnership interest consists of 25 of 100 Class A units. The primary asset is a parcel of land. The revised 2013 asset value is based on an offer received from a market participant, with the reduction in value recorded as impairment.

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. The units are currently estimated to be worth \$1.

Notes to the combined financial statements

December 31, 2014

7. LOANS RECEIVABLE

Loans receivable are comprised of the following:

Description	2014	2013
Atira	\$ -	\$ 24,456
Haida Gwaii Tluu	-	500,000
New Market Funds Society	133,250	36,833
Total Loans Receivable	\$ 133,250	\$ 561,289

- Atira Loan: Maturity date of November 2014. Outstanding amount as of December 31, 2013 was fully repaid during 2014.
- The original loan agreement for \$1.7 million with Haida Gwaii TLUU was signed February 4, 2011. This loan is secured by a mortgage on property, a general security agreement, and a guarantee from Haida Enterprise Corporation. The loan accrues interest annually at the Bank of Canada's prime rate. Outstanding balance on the loan as at December 31, 2013 of \$500,000 was fully repaid during 2014.
- Total loan agreement of \$268,667 disbursed in tranches to New Market Funds Society to support the Society in improving the efficiency and effectiveness of charities. Tides is a co-sponsor with four other charities (Vancity Community Foundation, Trico Foundation, Bealight Foundation, Reseau D'Investissement Social du Quebec). The loans are interest free and are repayable after five years from disbursement date. First tranche of disbursement from Tides occurred in 2013; total disbursement as at December 31, 2014 is \$133,250.

Notes to the combined financial statements

December 31, 2014

8. PROPERTY AND EQUIPMENT

	2014		2013	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	\$ 280,670	\$ 204,274	\$ 76,396	\$ 41,083
Enterprise software	846,287	697,143	149,144	137,905
Website / portal	44,638	15,523	29,115	12,145
Furniture and equipment	863,667	745,054	118,613	146,969
Leasehold improvements	1,129,525	723,788	405,737	519,614
Website / portal under development	110,649	-	110,649	43,665
TOTAL PROPERTY AND EQUIPMENT	\$ 3,275,436	\$ 2,385,782	\$ 889,654	\$ 901,381

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

As of December 31, 2014, Tides Canada committed to grants totaling \$ 275,000. Payment of these grants is conditional on the recipients meeting certain criteria and providing certain supporting information.

Tides Canada committed to purchasing units in limited investment partnerships totaling \$1,186,501. As at the year-end, 759 units totaling \$729,245 have been purchased (see Note 5). The remaining commitments of \$457,256 are required at the call of the general partner when further investment capital is required.

As at December 31, 2014, limited investment partnership commitments are as follows:

	Units			Amount		
	Commitment	Paid	Balance	Commitment	Paid	Balance
Renewal 2	709	635	74	\$ 731,404	\$ 599,206	\$ 132,198
Renewal3	250	25	225	254,982	29,982	225,000
Investeco	198	99	99	200,115	100,057	100,058
	1,157	759	398	\$ 1,186,501	\$ 729,245	\$ 457,256

Notes to the combined financial statements

December 31, 2014

9. COMMITMENTS (Continued)

As at December 31, 2014, minimum rental commitments are as follows:

Year	Total
2015	\$ 528,488
2016	504,575
2017	502,893
2018	423,841
2019	49,266
Total	<u>\$ 2,009,063</u>

10. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2014</u>	<u>2013</u>
Staff costs	\$ 3,552,978	\$ 3,474,171
Professional services	633,421	522,680
Office expenses	670,018	699,953
Amortization	297,215	393,599
Travel	181,197	190,085
Finance costs	20,657	72,758
Marketing and communications	170,227	112,750
Events and programming	22,712	24,635
Total General and Administrative Expenses	\$ 5,548,425	\$ 5,490,631

11. ALLOCATION OF EXPENSES

Investment management fees of \$82,104 (2013: \$111,207) have been allocated as follows:

	<u>2014</u>	<u>2013</u>
General Fund: General and Administrative	\$ 14,088	\$ 62,518
Internally Restricted: Grant and program expenditures	7,684	4,754
Endowment Fund: Grant and program expenditures	60,332	43,935
Total Allocation of Expenses	\$ 82,104	\$ 111,207

Notes to the combined financial statements

December 31, 2014

12. CONTINGENCY

The entity has been subject to an audit of its operations by the Canada Revenue Agency (CRA) for its 2008 and 2009 fiscal years. The audits commenced in February 2011 and the audit process is ongoing with the timing and outcome not currently determinable. The CRA audit process involves an exchange of views and information regarding activities conducted by TCI. TCI management is actively providing information to the CRA with respect to its charitable activities. As the outcome is not determinable at this time, no consequent provisions or accruals have been recorded in these financial statements.

13. CONTROLLED ORGANIZATION

Tides Canada Ventures Society (TCVS) is a not-for-profit society incorporated in the Province of British Columbia that is controlled by Tides Canada established for the purpose of encouraging and promoting social entrepreneurship. The board of TCVS consists of two Tides Canada staff and one Tides Canada board member. There were no financial transactions between TCVS and Tides Canada in 2014.

Funds held by TCVS are externally restricted by agreement with its funder, and are held for the purpose of supporting work related to salmon aquaculture.

Tides Canada does not combine the financial information of TCVS. The financial information for TCVS is as follows:

**Tides Canada Ventures Society
Statement of Financial Position
As at December 31, 2014**

	2014	2013
<u>ASSETS</u>		
Cash	\$ 102,135	\$ 107,136
TOTAL ASSETS	102,135	107,136
LIABILITIES		
Accrued expenses payable	-	2,146
TOTAL LIABILITIES	-	2,146
<u>FUND BALANCES</u>		
Externally Restricted Funds	102,135	104,990
TOTAL FUND BALANCES	102,135	104,990
TOTAL LIABILITIES AND FUND BALANCES	\$ 102,135	\$ 107,136

Notes to the combined financial statements

December 31, 2014

13. CONTROLLED ORGANIZATION (Continued)

**Tides Canada Ventures Society
-Statement of Revenues and Expenses
For the Year Ended December 31, 2014**

	2014	2013
<u>REVENUES</u>		
Awards and funding agreements	\$ 25,000	\$ 27,000
Interest and other income	781	102
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TOTAL REVENUES	25,781	27,102
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<u>EXPENSES</u>		
Consulting fees	25,992	8,830
Travel	2,644	-
Sponsorships	-	10,417
Miscellaneous expense	-	99
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TOTAL EXPENSES	28,636	19,346
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EXCESS OF REVENUE OVER EXPENSES	\$ (2,855)	\$ 7,756