

Combined financial statements and
independent auditor's report of



December 31, 2017

Combined financial statements
Year ended December 31, 2017

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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, 2017 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, 2017 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.

Report on other legal and regulatory requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, these accounting principles have been applied on a basis consistent with that of the preceding year.

Vancouver, Canada
May 29, 2018

Chartered Professional Accountants



Combined statement of financial position
December 31, 2017

	<u>2017</u>	<u>2016</u>
ASSETS		
Current		
Cash	\$ 13,855,394	\$ 13,145,779
Accounts receivable	1,604,218	1,327,235
Prepaid expenses	146,144	101,316
	<u>15,605,756</u>	<u>14,574,330</u>
Investments (Note 5)	48,655,349	48,037,069
Loans receivable (non-interest bearing)	234,000	234,000
Property and equipment (Note 6)	1,960,996	1,875,884
Intangible assets (Note 7)	80,089	78,171
TOTAL ASSETS	<u>66,536,190</u>	<u>64,799,454</u>
LIABILITIES		
Current		
Accounts payable & accrued liabilities	1,320,323	1,120,873
Deferred revenue	92,200	92,200
	<u>1,412,523</u>	<u>1,213,073</u>
Deferred capital contribution (Note 6)	-	92,200
TOTAL LIABILITIES	<u>1,412,523</u>	<u>1,305,273</u>
FUND BALANCES		
General	31,865,078	29,417,929
Externally Restricted	33,258,589	34,076,252
TOTAL FUND BALANCES	<u>65,123,667</u>	<u>63,494,181</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 66,536,190</u>	<u>\$ 64,799,454</u>

Commitments (Note 8)
 Contingency (Note 11)

See the accompanying notes to the combined financial statements.

APPROVED BY:

Andrew Heintzman, Chair of the Board

Ross McMillan, President and CEO



Combined statement of revenues and expenses

Year ended December 31, 2017

	2017			2016		
	General	Externally Restricted	Total	General	Externally Restricted	Total
REVENUES						
Support awards and earned income	\$ 4,234,009	\$ -	\$ 4,234,009	\$ 4,245,773	\$ -	\$ 4,245,773
Other awards and donations	3,890,571	15,379,811	19,270,382	8,232,235	15,175,541	23,407,776
Investment income and other revenue	3,006,423	2,173,242	5,179,665	1,321,881	1,232,071	2,553,952
Realized gain (loss) on investments	389,790	(7,263)	382,527	142,355	-	142,355
Unrealized gain (loss) on investments	216,180	(31,486)	184,694	1,061,101	155,055	1,216,156
TOTAL REVENUES	11,736,973	17,514,304	29,251,277	15,003,345	16,562,667	31,566,012
EXPENSES						
General and administrative (Note 9 and 10)	5,276,691		5,276,691	4,705,402	-	4,705,402
Grant and program expenditures	2,894,628	19,450,472	22,345,100	5,836,274	14,708,735	20,545,009
TOTAL EXPENSES	8,171,319	19,450,472	27,621,791	10,541,676	14,708,735	25,250,411
EXCESS OF REVENUES OVER EXPENSES	\$ 3,565,654	\$ (1,936,168)	\$ 1,629,486	\$ 4,461,669	\$ 1,853,932	\$ 6,315,601

See the accompanying notes to the combined financial statements.



Combined statement of changes in fund balances

Year ended December 31, 2017

	2017		2016 Total
	General	Externally Restricted	
FUND BALANCES, BEGINNING OF YEAR	\$ 29,417,929	\$ 34,076,252	\$ 63,494,181
Excess (deficiency) of Revenues over Expenses	3,565,654	(1,936,168)	1,629,486
Transfers (From)/To Funds and Reclassification	(1,118,505)	1,118,505	-
FUND BALANCES, END OF YEAR	\$ 31,865,078	\$ 33,258,589	\$ 65,123,667
			\$ 63,494,181

See the accompanying notes to the combined financial statements.



Combined statement of cash flows

Year ended December 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 1,629,486	\$ 6,315,601
Adjust for items not requiring cash:		
Amortization of property and equipment	311,044	239,545
Amortization of intangible assets	53,082	54,541
Amortization of deferred capital contribution	(92,200)	(92,200)
Unrealized gains on investments	(184,694)	(1,216,156)
Changes in:		
Accounts receivable	(276,983)	(890,788)
Prepaid expenses	(44,828)	80,482
Accounts payable & accrued liabilities	199,450	210,290
Net cash provided by (used in) operating activities	1,594,357	4,701,315
INVESTING ACTIVITIES		
Investments	(2,463,300)	(736,285)
Guaranteed investment certificates	2,029,714	(11,049,000)
Purchase of property and equipment	(396,156)	(980,150)
Increase in intangible assets	(55,000)	(26,999)
Net cash provided (used in) by investing activities	(884,742)	(12,792,434)
INCREASE (DECREASE) IN CASH	709,615	(8,091,119)
CASH, BEGINNING OF YEAR	13,145,779	21,236,898
CASH, END OF YEAR	\$ 13,855,394	\$ 13,145,779

See the accompanying notes to the combined financial statements.



**Notes to the combined financial statements
December 31, 2017**

1. PURPOSES OF TIDES CANADA

Tides Canada Foundation (TCF) 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 TCF nor TCI are taxable under the Federal Income Tax Act.

TCF 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 Canada's 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 TCF and TCI decided to operate the two organizations under common control. TCF and TCI have the same management, members, and board. Consequently, the financial statements have been prepared as if TCF 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)*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.

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.

(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, accounts receivable, loans receivable 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, 2017

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
Enterprise software 2	10 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) Intangible Assets

Website and portal development and licenses and permits are recorded at cost and amortized on a straight-line basis over the estimated useful life of the assets as follows:

Website and portal	3 years
Licenses and permits	over the term of the license or permit

(i) Investment Management Expense Allocations

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

(j) 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.

Notes to the combined financial statements
December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)*(k) 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 effect 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.

4. FINANCIAL INSTRUMENTS

The carrying amount of financial assets measured at amortized cost is \$27,936,056 as at December 31, 2017 (December 31, 2016: \$27,062,243).

The carrying amount of financial assets measured at fair value is \$36,412,905 as at December 31, 2017 (December 31, 2016: \$35,681,840).

The carrying amount of financial liabilities measured at amortized cost is \$1,320,323 as at December 31, 2017 (December 31, 2016: \$1,120,873).

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.

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 \$1,320,323 as at December 31, 2017 (2016: \$1,120,873), which is due to be paid in full before December 31, 2018.

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 \$1,838,218 (2016: \$1,561,235). Tides Canada manages credit risk on receivables by ensuring sufficient security is in place.



Notes to the combined financial statements
December 31, 2017

5. INVESTMENTS

	<u>2017</u>	<u>2016</u>
Money market	\$ 1,329,844	\$ 919,046
Bonds	14,636,384	13,590,526
Equity	21,910,026	20,596,274
Long-term deposits	<u>536,651</u>	<u>575,994</u>
Investments at fair value	38,412,905	35,681,840
Guaranteed investment certificates, carried at cost	9,174,341	11,204,055
Long term investments, carried at cost	<u>1,068,103</u>	<u>1,151,174</u>
Total Investments	\$ 48,655,349	\$ 48,037,069

Money market and bond funds have a weighted average yield of 0.67% and 2.59% (December 31, 2016: 0.50% and 2.75%) respectively.

Long term investments consist primarily of 1,115 (2016: 1,045 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 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. PROPERTY AND EQUIPMENT

	<u>2017</u>			<u>2016</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	\$ 281,411	\$ 281,020	\$ 391	\$ 17,888
Enterprise software	790,447	781,475	8,972	21,470
Enterprise software 2	1,792,208	89,404	1,702,804	1,498,132
Furniture and equipment	723,054	622,310	100,744	53,631
Leasehold improvements	<u>1,277,212</u>	<u>1,129,127</u>	<u>148,085</u>	<u>284,763</u>
Total property and equipment	\$ 4,864,332	\$ 2,903,336	\$ 1,960,996	\$ 1,875,884



Notes to the combined financial statements
December 31, 2017

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.

Enterprise software 2 represents new software systems implementation costs. As at December 31, 2017 the systems are fully implemented and being amortized.

7. INTANGIBLE ASSETS

	2017			2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Website portal	\$ 189,051	\$ 163,045	\$ 26,006	\$ 78,171
Licenses and permits	55,000	917	54,083	-
Total property and equipment	\$ 244,051	\$ 163,962	\$ 80,089	\$ 78,171

8. COMMITMENTS

As of December 31, 2017, Tides Canada committed to grants totaling \$356,525. 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 \$1,686,501. As at the year-end, 1,115 units totaling \$1,143,882 have been purchased (see Note 5). The remaining commitments of \$542,619 are required at the call of the general partner when further investment capital is required.

As at December 31, 2017, limited investment partnership commitments are as follows:



Notes to the combined financial statements
December 31, 2017

8. COMMITMENTS (Continued)

	Units			Amount		
	Commitment	Paid	Balance	Commitment	Paid	Balance
Renewal 2	709	709	-	\$ 731,404	\$ 731,404	\$ -
Renewal3	250	180	70	254,982	184,722	70,260
Investeco	198	198	-	200,115	200,115	-
New Market Funds	500	28	472	500,000	27,641	472,359
Total	1,657	1,115	542	\$ 1,686,501	\$ 1,143,882	\$ 542,619

As at December 31, 2017, minimum rental commitments are as follows:

Year	Total
2018	\$ 520,034
2019	383,094
2020	325,248
2021	326,034
2022	288,422
Total	\$ 1,842,832

9. GENERAL AND ADMINISTRATIVE EXPENSES

	2017	2016
Staff costs	\$ 3,647,806	\$ 3,293,427
Office expenses	885,244	674,159
Amortization	356,171	285,543
Professional services	176,699	206,423
Travel	105,878	98,077
Marketing and communications	60,373	79,373
Grants to Canadian charities	-	32,720
Finance costs	39,057	31,769
Events and programming	5,463	3,911
Total general and administrative expenses	\$ 5,276,691	\$ 4,705,402



**Notes to the combined financial statements
December 31, 2017**

10. ALLOCATION OF EXPENSES

Investment management fees of \$111,780 (2016: \$87,638) have been allocated as follows:

	<u>2017</u>	<u>2016</u>
General fund: General and administrative	\$ 29,095	\$ 22,657
Externally restricted: Grant and program expenditures	82,685	64,981
Total allocation of expenses	\$ 111,780	\$ 87,638

11. CONTINGENCY

Tides Canada 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. The audit of TCF was concluded in fiscal 2016. The audit process for TCI 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. As the outcome is not determinable at this time, no consequent provisions or accruals have been recorded in these financial statements.

12. 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. Financial transaction between TCVS and Tides Canada in 2017 were nil.

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. TCVS was dissolved in 2017.

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



Notes to the combined financial statements
December 31, 2017

12. CONTROLLED ORGANIZATION (Continued)

Tides Canada Ventures Society
Balance Sheet
as at December 31, 2017

	2017	2016
ASSETS		
Cash	\$ -	\$ 18,977
TOTAL ASSETS	-	18,977
LIABILITIES		
Accounts payable and accrued liabilities	-	2,435
TOTAL LIABILITIES	-	2,435
FUND BALANCES		
Externally Restricted Funds	-	16,542
TOTAL FUND BALANCES	-	16,542
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 18,977

Tides Canada Ventures Society
Statement of Revenues and Expenditures
For the period ended December 31, 2017

	2017	2016
REVENUES		
Interest and Other Income	\$ 81	\$ 373
TOTAL REVENUES	81	373
EXPENSES		
Donations	13,500	78,900
Legal fees	3,123	1,378
Insurance expense	-	1,729
TOTAL EXPENSES	16,623	82,007
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (16,542)	\$ (81,634)

**Notes to the combined financial statements
December 31, 2017**

13. REMUNERATION

The new Societies Act of B.C. requires that societies, other than member-funded societies, disclose remuneration paid to directors and highest paid employees or contractors based on amounts paid over \$75,000 or the top ten highest paid.

In 2017, Tides Canada Foundation paid remuneration of \$1,400,177 to the top ten highest paid employees and contractors with amounts greater than \$75,000.

In 2017, Tides Canada Initiatives Society paid remuneration of \$596,585 to seven employees and contractors with amounts greater than \$75,000.

No board member received any salary, wages, fees, commissions, or other amount for services rendered to the organization in their capacity as a director. In fiscal 2017 an amount of \$3,013 was paid in commission fees related to an investment in which a board member is the CEO.