

Combined financial statements and  
independent auditor's report of



March 31, 2018

## **Combined financial statements**

**Three-months ended March 31, 2018**

### **Table of Contents**

---

<b>Independent auditor's report</b>	Page 1
<b>Combined financial statements</b>	
Combined statement of financial position	Page 2
Combined statement of revenues and expenses	Page 3
Combined statement of changes in fund balances	Page 4
Combined statement of cash flows	Page 5
Notes to the combined financial statements	Pages 6 to 15



# Independent Auditor's Report

Grant Thornton LLP  
Suite 1600, Grant Thornton Place  
333 Seymour Street  
Vancouver, BC  
V6B 0A4

T +1 604 687 2711  
F +1 604 685 6569  
www.GrantThornton.ca

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 March 31, 2018 and the combined statements of revenues and expenses, changes in fund balances, and cash flows for the three months 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 March 31, 2018 and the results of its operations and its cash flows for the three months 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  
September 26, 2018

Chartered Professional Accountants



**Combined statement of financial position  
March 31, 2018**

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
<b>ASSETS</b>		
Current		
Cash	\$ 12,864,179	\$ 13,855,394
Accounts receivable	435,937	1,604,218
Prepaid expenses and other assets	518,378	146,144
	<u>13,818,494</u>	<u>15,605,756</u>
Investments (Note 6)	49,163,858	48,655,349
Loans receivable (non-interest bearing)	234,000	234,000
Property and equipment (Note 7)	1,935,077	1,960,996
Intangible assets (Note 8)	67,368	80,089
<b>TOTAL ASSETS</b>	<b>\$ 65,218,797</b>	<b>\$ 66,536,190</b>
<b>LIABILITIES</b>		
Current		
Accounts payable & accrued liabilities	\$ 1,527,993	\$ 1,320,323
Deferred revenue	69,150	92,200
<b>TOTAL LIABILITIES</b>	<u>1,597,143</u>	<u>1,412,523</u>
<b>FUND BALANCES</b>		
General	31,404,933	31,865,078
Externally Restricted	32,216,721	33,258,589
<b>TOTAL FUND BALANCES</b>	<u>63,621,654</u>	<u>65,123,667</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 65,218,797</b>	<b>\$ 66,536,190</b>

Commitments (Note 9)

Contingency (Note 12)

*See the accompanying notes to the combined financial statements.*

APPROVED BY:

Liisa O'Hara, Treasurer

Ross McMillan, President and CEO



**Combined statement of revenues and expenses  
Three-months ended March 31, 2018**

	Three months ended March 31, 2018			Year ended December 31, 2017		
	General	Externally Restricted	Total	General	Externally Restricted	Total
<b>REVENUES</b>						
Support awards and earned income	\$ 1,060,793	\$ -	\$ 1,060,793	\$ 4,234,009	\$ -	\$ 4,234,009
Other awards and donations	175,670	3,122,519	3,298,189	3,890,571	15,379,811	19,270,382
Investment income and other revenue	276,449	1,055,382	1,331,831	3,006,423	2,173,242	5,179,665
Realized gain on investments	-	-	-	389,790	(7,263)	382,527
Unrealized gain (loss) on investments	30,627	(87,328)	(56,701)	216,180	(31,486)	184,694
<b>TOTAL REVENUES</b>	<b>1,543,539</b>	<b>4,090,573</b>	<b>5,634,112</b>	<b>11,736,973</b>	<b>17,514,304</b>	<b>29,251,277</b>
<b>EXPENSES</b>						
General and administrative (Note 10 and 11)	1,407,497	-	1,407,497	5,276,691	-	5,276,691
Grant and program expenditures	559,179	5,169,449	5,728,628	2,894,628	19,450,472	22,345,100
<b>TOTAL EXPENSES</b>	<b>1,966,676</b>	<b>5,169,449</b>	<b>7,136,125</b>	<b>8,171,319</b>	<b>19,450,472</b>	<b>27,621,791</b>
<b>(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ (423,137)</b>	<b>\$ (1,078,876)</b>	<b>\$ (1,502,013)</b>	<b>\$ 3,565,654</b>	<b>\$ (1,936,168)</b>	<b>\$ 1,629,486</b>

See the accompanying notes to the combined financial statements.



Combined statement of changes in fund balances  
 Three-months ended March 31, 2018

	Three months ended March 31, 2018			Year ended December 31, 2017 Total
	General	Externally Restricted	Total	
<b>FUND BALANCES, BEGINNING OF PERIOD</b>	\$ 31,865,078	\$ 33,258,589	\$ 65,123,667	\$ 63,494,181
(Deficiency) Excess of Revenues over Expenses	(423,137)	(1,078,876)	(1,502,013)	1,629,486
Transfers (From)/To Funds and Reclassification	(37,008)	37,008	-	-
<b>FUND BALANCES, END OF PERIOD</b>	\$ 31,404,933	\$ 32,216,721	\$ 63,621,654	\$ 65,123,667

See the accompanying notes to the combined financial statements.



**Combined statement of cash flows**  
**Three-months ended March 31, 2018**

	Three months ended March 31, 2018	Year ended December 31, 2017
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	\$ (1,502,013)	\$ 1,629,486
Adjust for items not requiring cash:		
Amortization of property and equipment	95,774	311,044
Amortization of intangible assets	12,721	53,082
Amortization of deferred capital contribution	(23,050)	(92,200)
Unrealized gain (loss) on investments	56,701	(184,694)
Changes in:		
Accounts receivable	1,168,281	(276,983)
Prepaid expenses	(372,234)	(44,828)
Accounts payable & accrued liabilities	207,670	199,450
<b>Net cash provided by (used in) operating activities</b>	<b>(356,150)</b>	<b>1,594,357</b>
<b>INVESTING ACTIVITIES</b>		
Investments	(501,711)	(2,463,300)
Guaranteed investment certificates	(63,499)	2,029,714
Purchase of property and equipment	(69,855)	(396,156)
Increase in intangible assets	-	(55,000)
<b>Net cash provided (used in) by investing activities</b>	<b>(635,065)</b>	<b>(884,742)</b>
<b>INCREASE (DECREASE) IN CASH</b>	<b>(991,215)</b>	<b>709,615</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>13,855,394</b>	<b>13,145,779</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 12,864,179</b>	<b>\$ 13,855,394</b>

See the accompanying notes to the combined financial statements.



**Notes to the combined financial statements**  
**March 31, 2018**

---

**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. CHANGE IN FISCAL YEAR-END**

Tides Canada changed its year-end to March 31st beginning with the three-month period ended March 31, 2018. The next fiscal year will be April 1, 2018 to March 31, 2019.

**4. 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.



**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)***(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.

*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.

**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**
**(a) Financial Instruments (continued)**

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.

**(b) 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.

**(c) 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.

**(d) 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

**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)***(e) 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.

*(f) 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.

*(g) 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.

**5. FINANCIAL INSTRUMENTS**

The carrying amount of financial assets measured at amortized cost is \$24,092,283 as at March 31, 2018 (December 31, 2017: \$25,936,056).

The carrying amount of financial assets measured at fair value is \$38,605,691 as at March 31, 2018 (December 31, 2017: \$38,412,905).

The carrying amount of financial liabilities measured at amortized cost is \$1,527,993 as at March 31, 2018 (December 31, 2017: \$1,320,323).

**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.

**5. FINANCIAL INSTRUMENTS (Continued)**

## 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.

## 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 \$1,527,993 as at March 31, 2018 (December 31, 2017: \$1,320,323), which is due to be paid in full before June 30, 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.



**Notes to the combined financial statements**  
**March 31, 2018**

---

**5. FINANCIAL INSTRUMENTS (Continued)**

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 \$669,937 as at March 31, 2018 (December 31, 2017: \$1,838,218). Tides Canada manages credit risk on receivables by ensuring sufficient security is in place.

**6. INVESTMENTS**

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Money market	\$ 1,333,733	\$ 1,329,844
Bonds	14,665,278	14,636,384
Equity	22,064,214	21,910,026
Long-term deposits	542,466	536,651
Investments at fair value	38,605,691	38,412,905
Guaranteed investment certificates, carried at cost	9,581,688	9,174,341
Long term investments, carried at cost	976,479	1,068,103
<b>Total Investments</b>	<b>\$ 49,163,858</b>	<b>\$ 48,655,349</b>

Money market and bond funds have a weighted average yield of 0.29% and 0.71% (December 31, 2017: 0.67% and 2.59%) respectively.

Long term investments consist primarily of 1,141 (2017: 1,115 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.



**Notes to the combined financial statements**  
**March 31, 2018**

**7. PROPERTY AND EQUIPMENT**

	<b>March 31, 2018</b>			<b>December 31, 2017</b>
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Computer software	\$ 281,411	\$ 281,081	\$ 330	\$ 391
Enterprise software	790,447	784,573	\$ 5,874	8,972
Enterprise software 2	1,792,208	134,215	\$ 1,657,993	1,702,804
Furniture and equipment	792,909	635,944	\$ 156,965	100,744
Leasehold improvements	1,277,212	1,163,297	\$ 113,915	148,085
<b>Total property and equipment</b>	<b>\$ 4,934,187</b>	<b>\$ 2,999,110</b>	<b>\$ 1,935,077</b>	<b>\$ 1,960,996</b>

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.

**8. INTANGIBLE ASSETS**

	<b>March 31, 2018</b>			<b>December 31, 2017</b>
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Website portal	\$ 189,051	\$ 175,080	\$ 13,971	\$ 26,006
Licenses and Permits	\$ 55,000	\$ 1,603	53,397	54,083
<b>Total property and equipment</b>	<b>\$ 244,051</b>	<b>\$ 176,683</b>	<b>\$ 67,368</b>	<b>\$ 80,089</b>

**Notes to the combined financial statements**  
**March 31, 2018**
**9. COMMITMENTS**

As of March 31, 2018, Tides Canada committed to grants totaling \$978,438. 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, 1,141 units totaling \$1,168,882 have been purchased (see Note 6). The remaining commitments of \$517,619 are required at the call of the general partner when further investment capital is required.

As at March 31, 2018, limited investment partnership commitments are as follows:

	Units			Amount		
	Commitment	Paid	Balance	Commitment	Paid	Balance
Renewal 2	709	709	-	\$ 731,404	\$ 731,404	\$ -
Renewal3	250	206	44	254,982	209,722	45,260
Investeco	198	198	-	200,115	200,115	-
New Market Funds	500	28	472	500,000	27,641	472,359
<b>Total</b>	<b>1,657</b>	<b>1,141</b>	<b>516</b>	<b>\$ 1,686,501</b>	<b>\$ 1,168,882</b>	<b>\$ 517,619</b>

The difference of \$192,403 between the long-term investments carried at cost in Note 6 (\$976,479) and the amount paid (\$1,168,882) represents return of capital.

As at March 31, 2018, minimum rental commitments are as follows:

Year	Total
2018	\$ 506,928
2019	360,608
2020	325,248
2021	327,613
2022	279,634
<b>Total</b>	<b>\$ 1,800,031</b>

**Notes to the combined financial statements**  
**March 31, 2018**
**10. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>Three months ended March 31, 2018</u>	<u>Year end December 31, 2017</u>
Staff costs	\$ 969,793	\$ 3,647,806
Office expenses	234,893	885,244
Amortization	106,277	356,171
Marketing and communications	30,643	60,373
Professional services	29,360	176,699
Travel	25,431	105,878
Finance costs	9,512	39,057
Events and programming	1,588	5,463
<b>Total general and administrative expenses</b>	<b>\$ 1,407,497</b>	<b>\$ 5,276,691</b>

**11. ALLOCATION OF EXPENSES**

Investment management fees of \$29,005 (2017: \$111,780) have been allocated as follows:

	<u>Three months ended March 31, 2018</u>	<u>Year end December 31, 2017</u>
General fund : General and administrative	\$ 7,307	\$ 29,095
Externally restricted: Grant and program expenditures	21,698	82,685
<b>Total allocation of expenses</b>	<b>\$ 29,005</b>	<b>\$ 111,780</b>

**12. CONTINGENCY**

Tides Canada Initiatives Society is subject to an audit of its operations by the Canada Revenue Agency (CRA) for its 2008 and 2009 fiscal years. The audit commenced in February 2011. 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.



**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.

For the three-months ended March 31, 2018, Tides Canada Foundation did not pay any remuneration to employees or contractors greater than \$75,000.

For the three-months ended March 31, 2018, Tides Canada Initiatives Society did not pay any remuneration to employees or contractors 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. For the three-months ended March 31, 2018 an amount of \$3,013 was paid in commission fees related to an investment in which a board member is the CEO.

