

Combined financial statements and
independent auditor's report of



March 31, 2019

Combined financial statements

Year ended March 31, 2019

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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")

Report on the audit of the financial statements

Opinion

We have audited the combined financial statements of Tides Canada, which comprise the combined statement of financial position as at March 31, 2019 and the statements of revenues and expenses, changes in fund balances, and cash flows for the year then ended, and notes to the combined financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the combined Financial Statements* section of our report. We are independent of Tides Canada in accordance with the ethical requirements that are relevant to our audit of the combined financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing Tides Canada's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

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

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Tides Canada's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Tides Canada's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Tides Canada to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

As required by the Societies Act 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 23, 2019

Chartered Professional Accountants

Combined statement of financial position
March 31, 2019

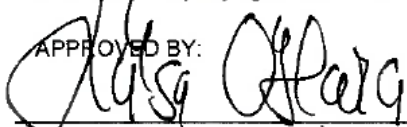
	<u>2019</u>	<u>2018</u>
ASSETS		
Current		
Cash	\$ 8,610,236	\$ 12,864,179
Accounts receivable	596,330	435,937
Prepaid expenses and other assets	353,811	518,378
	<u>9,560,377</u>	<u>13,818,494</u>
Investments (Note 6)	45,614,822	49,163,858
Loans receivable (non-interest bearing)	231,833	234,000
Property and equipment (Note 7)	1,737,236	1,935,077
Intangible assets (Note 8)	52,201	67,368
TOTAL ASSETS	<u>57,196,469</u>	<u>65,218,797</u>
LIABILITIES		
Current		
Accounts payable & accrued liabilities	1,684,983	1,527,993
Deferred revenue	-	69,150
TOTAL LIABILITIES	<u>1,684,983</u>	<u>1,597,143</u>
FUND BALANCES		
General	27,159,288	31,404,933
Externally Restricted	28,352,198	32,216,721
TOTAL FUND BALANCES	<u>55,511,486</u>	<u>63,621,654</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 57,196,469</u>	<u>\$ 65,218,797</u>

Commitments (Note 9)

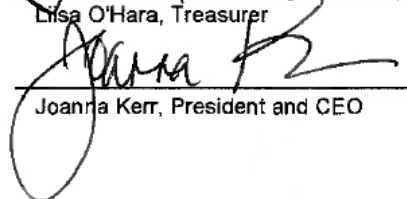
Contingency (Note 12)

See the accompanying notes to the combined financial statements.

APPROVED BY:



Lisa O'Hara, Treasurer



Joanna Kerr, President and CEO

Combined statement of revenues and expenses
Year ended March 31, 2019

	2019			Three months ended March 31, 2018		
	General	Externally Restricted	Total	General	Externally Restricted	Total
REVENUES						
Support awards and earned income	\$ 5,654,387	\$ -	\$ 5,654,387	\$ 1,060,793	\$ -	\$ 1,060,793
Other awards and donations	1,623,799	14,801,396	16,425,195	175,670	3,122,519	3,298,189
Investment income and other revenue	2,346,938	3,944,647	6,291,585	276,449	1,055,382	1,331,831
Realized gain on investments	525,737	(867)	524,870	-	-	-
Unrealized gain (loss) on investments	(1,005,568)	(4,741)	(1,010,309)	30,627	(87,328)	(56,701)
TOTAL REVENUES	9,145,293	18,740,435	27,885,728	1,543,539	4,090,573	5,634,112
EXPENSES						
General and administrative (Note 10 and 11)	6,310,071	-	6,310,071	1,407,497	-	1,407,497
Grant and program expenditures	6,564,621	23,121,204	29,685,825	559,179	5,169,449	5,728,628
TOTAL EXPENSES	12,874,692	23,121,204	35,995,896	1,966,676	5,169,449	7,136,125
EXCESS OF REVENUES OVER EXPENSES	\$ (3,729,399)	\$ (4,380,769)	\$ (8,110,168)	\$ (423,137)	\$ (1,078,876)	\$ (1,502,013)

See the accompanying notes to the combined financial statements.

Combined statement of changes in fund balances
Year ended March 31, 2019

	2019			Three months ended March 31, 2018
	General	Externally Restricted	Total	Total
FUND BALANCES, BEGINNING OF YEAR	\$ 31,404,933	\$ 32,216,721	\$ 63,621,654	\$ 65,123,667
Excess of Revenues over Expenses	(3,729,399)	(4,380,769)	(8,110,168)	(1,502,013)
Transfers (From)/To Funds and Reclassification	(516,246)	516,246	-	-
FUND BALANCES, END OF YEAR	\$ 27,159,288	\$ 28,352,198	\$ 55,511,486	\$ 63,621,654

See the accompanying notes to the combined financial statements.

Combined statement of cash flows
Year ended March 31, 2019

	<u>2019</u>	<u>Three months ended March 31, 2018</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (8,110,168)	\$ (1,502,013)
Adjust for items not requiring cash:		
Amortization of property and equipment	365,481	95,774
Amortization of intangible assets	15,167	12,721
Amortization of deferred capital contribution	(69,150)	(23,050)
Unrealized gain (loss) on investments	1,010,309	56,701
Changes in:		
Accounts receivable	(160,393)	1,168,281
Prepaid expenses	164,567	(372,234)
Accounts payable & accrued liabilities	156,990	207,670
Net cash provided by (used in) operating activities	(6,627,197)	(356,150)
INVESTING ACTIVITIES		
Investments	(1,811,673)	(501,711)
Guaranteed investment certificates	4,350,402	(63,499)
Loans receivable	2,167	-
Purchase of property and equipment	(167,642)	(69,855)
Net cash provided (used in) by investing activities	2,373,254	(635,065)
INCREASE (DECREASE) IN CASH	(4,253,943)	(991,215)
CASH, BEGINNING OF YEAR	12,864,179	13,855,394
CASH, END OF YEAR	\$ 8,610,236	\$ 12,864,179

See the accompanying notes to the combined financial statements.

Notes to the combined financial statements

March 31, 2019

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 31 beginning with the three-month period ended March 31, 2018. As a result, the fiscal 2018 comparative amounts are for the three-month period from January 1, 2018 to March 31, 2018.

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.

Notes to the combined financial statements
March 31, 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) *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.

(b) *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.

(c) *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.

(d) *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.

Notes to the combined financial statements

March 31, 2019

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
Enterprise software 3	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

Notes to the combined financial statements

March 31, 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) *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.

(b) *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.

(c) *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 \$15,581,507 as at March 31, 2019 (March 31, 2018: \$24,092,283).

The carrying amount of financial assets measured at fair value is \$39,471,714 as at March 31, 2019 (March 31, 2018: \$38,605,691).

The carrying amount of financial liabilities measured at amortized cost is \$1,684,983 as at March 31, 2019 (March 31, 2018: \$1,527,993).

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.

Notes to the combined financial statements

March 31, 2019

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 \$1,684,983 as at March 31, 2019 (March 31, 2018: \$1,527,993), which is due to be paid in full before June 30, 2019.

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, 2019

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 \$828,163 as at March 31, 2019 (March 31, 2018: \$669,937). Tides Canada manages credit risk on receivables by ensuring sufficient security is in place.

6. INVESTMENTS

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Money market	\$ 3,250,451	\$ 1,333,733
Bonds	15,808,042	14,665,278
Equity	20,413,221	22,064,214
Long-term deposits	-	542,466
Investments at fair value	39,471,714	38,605,691
Guaranteed investment certificates, carried at cost	5,191,345	9,581,688
Long term investments, carried at cost	951,763	976,479
Total Investments	\$ 45,614,822	\$ 49,163,858

Money market and bond funds have a weighted average yield of 1.62% and 2.68% (March 31, 2018: 0.29% and 0.71%) respectively.

Long term investments consist primarily of 1,164 (2018: 1,141 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, 2019

7. PROPERTY AND EQUIPMENT

	March 31, 2019			March 31, 2018
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer software	\$ 281,411	\$ 281,328	\$ 83	\$ 330
Enterprise software	790,447	790,447	-	5,874
Enterprise software 2	1,792,208	313,457	1,478,751	1,657,993
Enterprise software 3	89,948	-	89,948	-
Furniture and equipment	827,231	715,142	112,089	156,965
Leasehold improvements	1,320,584	1,264,219	56,365	113,915
Total property and equipment	\$ 5,101,829	\$ 3,364,593	\$ 1,737,236	\$ 1,935,077

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. In fiscal 2019 the deferred capital contribution was fully amortized.

8. INTANGIBLE ASSETS

	March 31, 2019			March 31, 2018
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Website portal	\$ 189,051	\$ 187,496	\$ 1,555	\$ 13,971
Licenses and Permits	55,000	4,354	50,646	53,397
Total property and equipment	\$ 244,051	\$ 191,850	\$ 52,201	\$ 67,368

Notes to the combined financial statements
March 31, 2019

9. COMMITMENTS

As of March 31, 2019, Tides Canada committed to grants totaling \$1,135,682. 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, 1,164 units totaling \$1,193,142 have been purchased (see Note 6). The remaining commitments of \$493,359 are required at the call of the general partner when further investment capital is required.

As at March 31, 2019, 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	229	21	254,982	233,982	21,000
Investeco	198	198	-	200,115	200,115	-
New Market Funds	500	28	472	500,000	27,641	472,359
Total	1,657	1,164	493	\$ 1,686,501	\$ 1,193,142	\$ 493,359

The difference of \$241,379 between the long-term investments carried at cost in Note 6 (\$951,763) and the amount paid (\$1,193,142) represents return of capital.

As at March 31, 2019, minimum rental commitments are as follows:

Year	Total
2020	\$ 419,330
2021	382,068
2022	366,359
2023	319,731
2024	323,048
Total	\$ 1,810,535

Notes to the combined financial statements
March 31, 2019

10. GENERAL AND ADMINISTRATIVE EXPENSES

	Year-ended March 31, 2019	Three months ended March 31, 2018
Staff costs	\$ 4,504,420	\$ 969,793
Office expenses	913,259	234,893
Amortization	351,775	106,277
Professional services	289,448	29,360
Travel	107,191	25,431
Marketing and communications	68,455	30,643
Finance costs	47,001	9,512
Events and programming	28,522	1,588
Total general and administrative expenses	\$ 6,310,071	\$ 1,407,497

11. ALLOCATION OF EXPENSES

Investment management fees of \$117,288 (2018: \$29,005) have been allocated as follows:

	Year ended March 31, 2019	Three months ended March 31, 2018
General fund : General and administrative	\$ 37,908	\$ 7,307
Externally restricted: Grant and program expenditures	79,380	21,698
Total allocation of expenses	\$ 117,288	\$ 29,005

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.

Notes to the combined financial statements

March 31, 2019

13. REMUNERATION

The 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 year ended March 31, 2019, Tides Canada Foundation paid remuneration of \$1,531,404 to the top ten highest paid employees and contractors with amounts greater than \$75,000.

For the year ended March 31, 2019, Tides Canada Initiatives Society paid remuneration of \$855,866 to the top ten highest paid 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 2019, \$3,059 was paid in commission fees and a distribution of \$67,140 was received related to an investment in which a board member is the CEO.