

**The Sustainability Institute of Canada,
operating as Sustainability Network**

Financial Statements

December 31, 2010

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April 1, 2011

Independent Auditors' Report

To the Board of Directors of The Sustainability Institute of Canada

Report on the financial statements

We have audited the accompanying financial statements of The Sustainability Institute of Canada, which comprise the balance sheet as at December 31, 2010, and the statements of net assets, revenue and expenses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 our 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, we consider 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 financial statements present fairly, in all material respects, the financial position of The Sustainability Institute of Canada as at December 31, 2010, and its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chaplin & Co.

Chartered Accountants
Licensed Public Accountants

Roger Chaplin CA MA [Oxon] Gail Bergman CA B Comm

	December 31	
	2010	2009
Assets		
Current assets		
Cash	\$ 312,656	\$ 218,245
Accounts receivable	8,742	18,131
Prepaid expenses and sundry assets	4,026	1,718
	<u>\$ 325,424</u>	<u>\$ 238,094</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 46,474	\$ 15,185
Deferred income	176,525	136,500
	<u>222,999</u>	<u>151,685</u>
Net assets		
Net assets invested in operating reserve fund	76,459	62,385
Unrestricted net assets	25,966	24,024
	<u>102,425</u>	<u>86,409</u>
	<u>\$ 325,424</u>	<u>\$ 238,094</u>

Approved on behalf of the Board of Directors
of The Sustainability Institute of Canada

Seana Irvine, Chair

Wanda Prochazka, Treasurer

	Operating reserve fund	Unrestricted	Total Year ended December 31	
			2010	2009
Balance, beginning of year	\$ 62,385	\$ 24,024	\$ 86,409	\$ 72,461
Excess of revenue over expenses for the year	-	16,016	16,016	13,948
Transfer between funds (note 3)	14,074	(14,074)	-	-
Balance, end of year	<u>\$ 76,459</u>	<u>\$ 25,966</u>	<u>\$ 102,425</u>	<u>\$ 86,409</u>

	Year ended December 31	
	2010	2009
Revenue		
Grants	\$ 425,300	\$ 329,830
Donations	7,744	8,446
Subscriptions	14,113	32,813
Events	18,685	24,949
Sales and consulting	2,150	9,367
Rental income	1,025	900
Interest income	2,451	1,734
Sundry	3,063	8,606
	474,531	416,645
Expenses		
Amortization	-	3,191
Bank charges	832	828
Board meetings and volunteers	1,485	293
Books	13,879	37,535
Bursaries	-	2,612
Computer	4,188	6,341
Consulting	164,836	76,231
Event costs	31,518	38,028
Insurance	656	774
Occupancy	14,615	13,537
Office and general	5,212	8,135
Printing	1,972	2,711
Professional fees	3,063	2,956
Salaries and benefits	157,655	169,748
Travel	58,604	39,777
	458,515	402,697
Excess of revenue over expenses for the year	\$ 16,016	\$ 13,948

	Year ended December 31	
	2010	2009
Cash provided by (used in)		
Operations		
Excess of revenue over expenses for the year	\$ 16,016	\$ 13,948
Items not involving cash		
Amortization	-	3,191
	<u>16,016</u>	<u>17,139</u>
Non-cash working capital		
Accounts receivable	9,389	(12,896)
Prepaid expenses and sundry assets	(2,308)	11,609
Accounts payable and accrued liabilities	31,289	524
Deferred income	40,025	87,407
	<u>94,411</u>	<u>103,783</u>
Change in cash during year	94,411	103,783
Cash, beginning of year	<u>218,245</u>	<u>114,462</u>
Cash, end of year	<u>\$ 312,656</u>	<u>\$ 218,245</u>

1. Purpose of the Organization

The Sustainability Institute of Canada received its Letters Patent as a corporation without share capital under the Canada Corporations Act on September 13, 2001 and became a registered charity under the Income Tax Act effective January 1, 2002.

The organization's goal is to strengthen the capacity of the environmental community in Canada by improving organizational management, planning and fundraising skills of non-profit organizations.

2. Summary of significant accounting policies

Fund accounting

These financial statements are prepared on a restricted fund basis:

General fund

The general fund accounts for the organizations programming and administrative activities.

Operating reserve fund

The organization has determined that an operating reserve fund to cover six months of the salaries and administrative expenses included in the organization's budget for the following fiscal year should be established as an operating reserve fund. A transfer is made to or from this fund annually to reflect the amount required in the fund.

Capital assets

Capital assets are expensed as acquired. During the year \$nil have been expensed.

Revenue recognition

Funding received is taken into income in the year to which it relates. Amounts received that relate to future fiscal periods are recorded as deferred income.

Financial instruments

Financial instruments are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the association's designation of such instruments.

Classification

Cash	Held-for-trading
Accounts receivable	Loans and receivable
Accounts payable and accrued liabilities	Other financial liabilities

Held-for-trading

Financial instruments classified as held for trading are reported at fair value with changes in fair value recognized in the Statement of Revenue and Expenses, as appropriate, in the period during which the change occurs.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Available for sale

Financial instruments classified as available-for-sale are reported at fair value with the unrealized gains and losses recognized in the Statement of Net Assets in the period during which the change occurs. The organization has not designated any financial assets as available for sale.

Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables, that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest rate method. Impairment losses are recognized in net income when impairment is other than temporary and carrying amounts exceeds fair value. Recognition of recoveries are not permitted until the classification of the asset is changed. The organization has not designated any financial assets as held-to-maturity.

Loans and receivables and other financial liabilities

Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest method, net of any impairment. Interest income or expense is included in net income(loss) over the expected life of the instruments. Transaction costs are expensed as incurred.

The organization has elected to use the exemption provided by the Canadian Institute of Chartered Accountants (CICA) permitting not-for-profit organizations not to apply CICA Handbook Sections 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, which would otherwise have applied to these financial statements. The organization applies the requirements of Section 3861, Financial Instruments - Disclosure and Presentation.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Future accounting changes

The CICA is to replace GAAP for publicly accountable enterprises with International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. However, the CICA announced that not-for-profit organizations will not be required to adopt IFRS. On December 1, 2010, the CICA issued Part III of the CICA Handbook, Accounting Standards for Not-for-Profit Organizations, which effectively enables not-for-profit organizations to apply the accounting standards for private enterprises, together with additional standards addressing their unique circumstances. These accounting standards are effective for financial years beginning on or after January 1, 2012. However, earlier adoption of these new standards is permitted.

3. Interfund transfers

During the year, the directors approved a transfer of \$14,074 (2009 - \$10,000) from the unrestricted fund to the operating reserve fund.

4. Capital disclosures

In managing capital, the organization focuses on liquid resources available for operations.

The organization's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide the flexibility to take advantage of opportunities that will advance its purpose. The need for sufficient liquid resources is considered in the preparation of an annual budget and in monitoring cash flows and actual operating results compared to the budget.

As at December 31, 2010, the organization has met its objective of having sufficient liquid resources to meet its current obligations.

5. Financial instruments

Fair Value

Financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. It is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values.

Liquidity risk

The organization considers that it has sufficient credit facilities to ensure that funds are available to meet its current and long-term financial needs at a reasonable cost.