

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

Financial Statements

December 31, 2008

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March 30, 2009

Auditors' Report

To the Board of Directors of The Sustainability Institute of Canada

We have audited the balance sheet of The Sustainability Institute of Canada, operating as Sustainability Network, as at December 31, 2008 and the statements of net assets, revenue and expenses and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2008 and the results of 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

**The Sustainability Institute of Canada,
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Balance Sheet

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	Note	December 31	
		2008	2007
Assets			
Current assets			
Cash		\$ 114,462	\$ 227,264
Accounts receivable		5,235	10,549
Prepaid expenses and sundry assets		13,327	5,144
		<u>133,024</u>	<u>242,957</u>
Capital assets	3	<u>3,191</u>	<u>-</u>
		<u>\$ 136,215</u>	<u>\$ 242,957</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 14,661	\$ 17,791
Deferred income		49,093	133,890
		<u>63,754</u>	<u>151,681</u>
Net assets			
Net assets invested in operating reserve fund		52,385	71,200
Unrestricted net assets		20,076	20,076
		<u>72,461</u>	<u>91,276</u>
		<u>\$ 136,215</u>	<u>\$ 242,957</u>

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

Andrew Heintzman, Chair

Wanda Prochazka, Treasurer

	Operating reserve fund	Unrestricted	Total Year ended December 31	
			2008	2007
Balance, beginning of year	\$ 71,200	\$ 20,076	\$ 91,276	\$ 87,808
Excess of revenue over expenses (expenses over revenue) for the year	-	(18,815)	(18,815)	3,468
Transfer between funds (note 2)	(18,815)	18,815	-	-
Balance, end of year	<u>\$ 52,385</u>	<u>\$ 20,076</u>	<u>\$ 72,461</u>	<u>\$ 91,276</u>

	Note	Year ended December 31	
		2008	2007
Revenue			
Grants		\$ 301,894	\$ 225,800
Donations		10,679	740
Subscriptions		17,828	23,740
Events		25,790	45,544
Sales and consulting		17,241	120
Rental income		1,500	1,850
Interest income		6,251	7,402
Sundry		3,631	2,836
		<u>384,814</u>	<u>308,032</u>
Expenses			
Amortization		1,314	-
Bank charges		364	66
Board meetings and volunteers		1,933	456
Books		21,024	21,291
Bursaries		3,591	-
Computer		4,191	4,417
Consulting		85,154	79,919
Event costs		51,307	23,793
Insurance		945	769
Occupancy		12,821	12,236
Office and general		5,761	5,709
Printing		3,366	1,610
Professional fees		3,596	2,781
Salaries and benefits		113,645	122,206
Travel		61,993	29,311
		<u>371,005</u>	<u>304,564</u>
Excess of revenue over expenses before the undernoted		13,809	3,468
Development initiative	4	<u>(32,624)</u>	<u>-</u>
Excess of revenue over expenses (expenses over revenue) for the year		<u>\$ (18,815)</u>	<u>\$ 3,468</u>

	Year ended December 31	
	2008	2007
Cash provided by (used in)		
Operations		
Excess of revenue over expenses (expenses over revenue) for the year	\$ (18,815)	\$ 3,468
Items not involving cash		
Amortization	1,314	-
	<u>(17,501)</u>	<u>3,468</u>
Non-cash working capital		
Accounts receivable	5,314	(5,980)
Prepaid expenses and sundry assets	(8,183)	13,929
Accounts payable and accrued liabilities	(3,130)	11,042
Deferred income	(84,797)	(34,790)
	<u>(108,297)</u>	<u>(12,331)</u>
Investing		
Purchase of capital assets	<u>(4,505)</u>	<u>-</u>
Change in cash during year	(112,802)	(12,331)
Cash, beginning of year	<u>227,264</u>	<u>239,595</u>
Cash, end of year	<u>\$ 114,462</u>	<u>\$ 227,264</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.

During the year the board decided to transfer from the fund \$18,815 paid from the unrestricted funds for development costs.

Capital assets

Capital assets are stated, at cost. Amortization of computer software is calculated on the straight-line balance basis at 50% per annum.

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

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.

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.

3. Capital assets

	Cost	Accumulated Amortization	2008	Net 2007
Computer software	\$ 4,505	\$ 1,314	\$ 3,191	\$ -

4. Development initiative

During the year the organization pursued a development initiative, whereby certain staff's time was utilized for the sole purpose of pursuing medium to long term revenue generating ideas. The cost of this initiative exceeded the revenues and therefore was cancelled.

5. 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, 2008, the organization has met its objective of having sufficient liquid resources to meet its current obligations.

6. Financial instruments

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.

7. Future accounting changes

Recent accounting pronouncements that have been issued but are not yet effective, and which may affect the organization's financial reporting are summarized below:

International Financial Reporting Standards (IFRS)

The Canadian Institute of Chartered Accountants (CICA) is to replace Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises (PAEs) with International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. However, in December 2008, the CICA announced that private companies and non-profit organizations will not be required to adopt IFRS.

Further, the Accounting Standards Board (AcSB) of the CICA has determined that private companies will have a separate GAAP Handbook that will be similar to the existing Handbook before IFRS. The AcSB has agreed to consider permitting not-for-profit organizations to apply the standards for private enterprises, together with the additional standards addressing their unique circumstances. In December 2008, the AcSB and the Public Sector Accounting Board issued a joint invitation to comment, Financial Reporting by Not-for-Profit Organizations, and requested comments by June 30, 2009.

Financial instruments

In December 2006 the CICA issued Handbook Sections 3862 - "Financial Instruments - Disclosures" and 3863 "Financial Instruments - Disclosure and Presentation". The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements. The new standards were applicable for fiscal years beginning on or after October 1, 2007. However the CICA has permitted not-for-profit organizations not to apply these sections at this time.

Not-for-profit organizations

In September 2008, the CICA amended Handbook Section 4400, Financial Statement Presentation by Not-for-Profit Organizations, Section 4430, Capital Assets Held by Not-for-Profit Organizations, and Section 4460, Disclosure of Related Party Transactions by Not-for-Profit Organizations, and issued Handbook Section 4470, Disclosure of Allocated Expenses by Not-for-Profit Organizations.

The changes included the following:

- a. elimination of the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so;
- b. clarification that revenues and expenses must be recognized and presented on a gross basis when the not-for-profit organization is acting as a principal in transactions;
- c. requirement to include a cash flow statement in the financial statements;
- d. requirement to disclose policy on the allocation of fund-raising and general support expenses, including the nature of the expenses, the basis of allocation and the amounts allocated;
- e. confirmed that not-for-profit organizations with annual revenues of less than \$500,000 will not be required to capitalize and depreciate long-term assets; and
- f. clarification that management compensation arrangements are not considered related party transactions.

The amendments apply to fiscal years beginning on or after January 1, 2009. Earlier adoption is encouraged. The organization does not expect the adoption of these changes to have any impact on its financial statements.