

Global Campaign for Climate Action

Financial Statements

December 31, 2011

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Raymond Chabot Grant Thornton

Independent Auditor's Report

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To the Directors of
Global Campaign for Climate Action

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We have audited the accompanying financial statements of Global Campaign for Climate Action, which comprise the balance sheet as at December 31, 2011 and the statements of earnings and net assets 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 financial statements present fairly, in all material respects, the financial position of Global Campaign for Climate Action as at December 31, 2011 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.

Raymond Chabot Grant Thornton LLP¹

Montréal
February 26, 2012

¹ Chartered accountant auditor permit no. 18510

Global Campaign for Climate Action

Earnings and Net Assets

Year ended December 31, 2011

(In U.S. dollars)

	<u>2011</u>	<u>2010</u>
	\$	\$
Revenues		
Operating grants	2,055,810	2,628,538
Other revenues	6,525	686
	<u>2,062,335</u>	<u>2,629,224</u>
Expenses		
Secretariat operations	385,394	561,626
Strategic campaign coordination	357,209	407,390
Communications	724,905	878,052
Global campaign	574,023	593,660
National campaign support	20,804	188,496
	<u>2,062,335</u>	<u>2,629,224</u>
Excess of revenues over expenses and net assets, end of year	<u><u>-</u></u>	<u><u>-</u></u>

The accompanying notes are an integral part of the financial statements.

Global Campaign for Climate Action

Cash Flows

Year ended December 31, 2011

(In U.S. dollars)

	2011	2010
	\$	\$
OPERATING ACTIVITIES		
Non-cash items		
Amortization of computer equipment	2,948	2,993
Decrease (increase) in grants receivable	109,648	(109,648)
Decrease in other accounts receivable	37,753	9,259
Decrease (increase) in prepaid expenses	(1,065)	1,929
Increase in accounts payable and accrued liabilities	(56,500)	(734,295)
Increase (decrease) in deferred contributions	513,815	(174,563)
Cash flows from operating activities	<u>606,599</u>	<u>(1,004,325)</u>
INVESTING ACTIVITIES		
Term deposits and cash flows from investing activities	<u>252,787</u>	<u>(261,890)</u>
Net increase (decrease) in cash and cash equivalents	859,386	(1,266,215)
Cash and cash equivalents, beginning of year	<u>479,294</u>	<u>1,745,509</u>
Cash and cash equivalents, end of year	<u><u>1,338,680</u></u>	<u><u>479,294</u></u>
CASH AND CASH EQUIVALENTS		
Cash	338,680	479,294
Term deposits	<u>1,000,000</u>	
	<u><u>1,338,680</u></u>	<u><u>479,294</u></u>

The accompanying notes are an integral part of the financial statements.

Global Campaign for Climate Action

Balance Sheet

December 31, 2011

(In U.S. dollars)

	<u>2011</u>	<u>2010</u>
	\$	\$
ASSETS		
Current assets		
Cash	338,680	479,294
Term deposits, 0.09% to 0.95% maturing at various dates until August 2012 (0.3% and 3.75% in 2010)	1,024,582	316,701
Prepaid expenses	2,289	1,224
Grants receivable		109,648
Other accounts receivable	677	38,430
	<u>1,366,228</u>	<u>945,297</u>
Computer equipment (Note 4)	1,279	4,227
Term deposits, 0.85%, maturing in May 2013	39,332	
	<u>1,406,839</u>	<u>949,524</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	47,758	104,258
Deferred contributions (Note 6)	1,359,081	845,266
	<u>1,406,839</u>	<u>949,524</u>

The accompanying notes are an integral part of the financial statements.

On behalf of the Board,

Executive Director

Treasurer

Global Campaign for Climate Action

Notes to Financial Statements

December 31, 2011

(In U.S. dollars)

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Organization, incorporated under Part III of the Companies Act (Québec), promotes international cooperation between non-government organizations during international climate negotiations. It is a not-for-profit organization under the Income Tax Act.

2 - ACCOUNTING CHANGES

As at February 21, 2012, certain new primary sources of Canadian generally accepted accounting principles (standards) have been published but are not yet in effect. These standards should not have a significant impact on the Organization's financial statements.

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Financial assets and liabilities

The Organization has chosen to apply the recommendations of Section 3861, "Financial Instruments – Disclosure and Presentation", of the *Canadian Institute of Chartered Accountants' Handbook* with respect to the presentation and disclosure of financial instruments.

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value. Transaction costs from held-for-trading financial assets and liabilities are recognized in earnings and presented under Investment management and custodial fees, if any. Regular-way purchases or disposals of financial assets are recognized at the transaction date.

Subsequently, financial assets and liabilities are measured and recognized as follows.

Held-for-trading financial assets

Cash is classified as held-for-trading financial asset.

Upon initial recognition, the Organization designates cash as held-for-trading because it considers that the financial information generated by this classification is more relevant for decision-making and provides a better means for evaluating the Organization's performance.

Global Campaign for Climate Action

Notes to Financial Statements

December 31, 2011

(In U.S. dollars)

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and receivables, and other financial liabilities

Term deposits, other accounts receivable and grants receivable are classified as loans and receivables, and accounts payable and accrued liabilities are classified as other financial liabilities. These financial instruments are measured at amortized cost.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are reported as direct increases in net assets.

Unrestricted interest income is recognized when it is earned. Interest income is calculated based on the number of days the investment was held during the year.

Cash and cash equivalents

The Organization's policy is to present cash and term deposits having a term of three months or less from the acquisition date with cash and cash equivalents.

Computer equipment

Computer equipment is amortized over its estimated useful life according to the straight-line method over a three-year period.

Foreign currency translation

Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenue and expenses in foreign currency are translated at the rate in effect at the transaction date, with the exception of expenses relating to non-monetary assets and liabilities, which are translated at the historical rate. Gains and losses are included in the earnings for the year. Exchange gains or losses on held-for-trading financial instruments are included in other revenues in the statement of earnings.

4 - COMPUTER EQUIPMENT

	2011		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Computer equipment	8,977	7,698	1,279

Global Campaign for Climate Action

Notes to Financial Statements

December 31, 2011

(In U.S. dollars)

4 - COMPUTER EQUIPMENT (Continued)

	2010		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Computer equipment	8,977	4,750	4,227

5 - CREDIT FACILITY

The Organization has a credit facility in the form of credit cards for an authorized amount of C\$50,000 (\$49,164 as at December 31, 2011) bearing interest at a flat rate of 19% and renewable annually. As at December 31, 2011, term deposits of \$63,915 (\$55,297 as at December 31, 2010) have been deposited as collateral to cover available current credit facility.

6 - DEFERRED CONTRIBUTIONS

	2011	2010
	\$	\$
Balance, beginning of year	845,266	1,019,829
Amount received relating to the following year	2,569,625	1,597,865
Amount recognized in earnings	<u>(2,055,810)</u>	<u>(1,772,428)</u>
Balance, end of year	<u>1,359,081</u>	<u>845,266</u>

7 - RELATED PARTY TRANSACTIONS

During the year, the Organization made payments of \$12,912 (\$488,577 in 2010) to organizations that employ board members or for which board members are also administrators, to cover various costs. As at December 31, 2011 and 2010, no amount is payable to those organizations.

These transactions were carried out at the exchange amount, which is the value established and accepted by the parties.

8 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS

Financial risk management objectives and policies

The Organization is exposed to various financial risks resulting from both its operating and investing activities. The Organization's management manages financial risks.

The Organization does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

Global Campaign for Climate Action

Notes to Financial Statements

December 31, 2011

(In U.S. dollars)

8 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS **(Continued)**

Financial risks

The Organization's main financial risk exposure and its financial risk management policies are as follows.

Interest rate risk

The term deposit and credit facilities bear interest at a fixed rate and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The Organization's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

The Organization does not use derivative financial instruments to reduce its interest rate risk exposure.

Credit risk

Generally, the carrying amount on the balance sheet of the Organization's financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk.

The Organization's credit risk is attributable to cash, term deposits and other accounts receivable and investments in bonds.

The other accounts receivable balances are managed and analyzed on an ongoing basis and, accordingly, the Organization's exposure to doubtful accounts is not significant.

The credit risk regarding cash and term deposits is considered to be negligible because they are held by a reputable bank with an investment grade external credit rating. The credit risk related to investments in bonds is also considered negligible.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Organization has financing sources such as bank loans for a sufficient authorized amount. The Organization establishes budget and cash estimates to ensure it has the necessary funds to fulfil its obligations.

Global Campaign for Climate Action

Notes to Financial Statements

December 31, 2011

(In U.S. dollars)

8 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS **(Continued)**

Foreign exchange risk

The Organization is exposed to foreign exchange risk due to cash, term deposits, other accounts receivable and accounts payable and accrued liabilities denominated in foreign currencies. As at December 31, 2011, cash, term deposits and accounts payable denominated in Canadian dollars totalled respectively \$51,572, \$62,314 and \$6,750 (\$21,050, \$316,701 and \$21,389 in 2010). Other accounts receivable and accounts payable and accrued liabilities denominated in pounds sterling are respectively nil and \$15,863 (\$30,941 and \$3,318 in 2010). Accounts payable and accrued liabilities in euros and in Australian dollars are respectively \$3,771 and nil (\$21,361 and \$13,646 in 2010).

The Organization does not enter into arrangements to hedge its foreign exchange risk.

9 - COMMITMENTS

The Company has entered into lease agreements which call for lease payments of \$13,630 for the rental of office space and equipment. The leases for office space expire on April 6, 2012 and September 30, 2012, respectively.

10 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Organization defines its capital as its net assets, and its capital management objective is to ensure its ability to continue as a going concern.

The Organization manages its capital primarily through contributions.

To maintain or adjust its capital structure, it may be necessary to adjust the estimates for the expenses of some activities.

The Organization is not subject to externally imposed capital requirements.

Global Campaign for Climate Action Supplementary Information

Year ended December 31, 2011

(In U.S. dollars)

	2011	2010
	\$	\$
SECRETARIAT OPERATIONS		
Staff salary and benefits	149,312	230,891
Consultant services	34,562	30,746
Travel, commission and equipment	36,417	66,257
Board meetings	37,041	82,215
Office operations	113,856	151,517
Foreign exchange loss	14,206	
	<u>385,394</u>	<u>561,626</u>
STRATEGIC CAMPAIGN COORDINATION		
Consultant services	273,882	289,732
Strategic campaign actions	83,327	117,658
	<u>357,209</u>	<u>407,390</u>
COMMUNICATIONS		
Staff salary and benefits		11,046
Consultant services	638,545	487,312
Travel, commission and equipment	14,452	27,155
Digital strategy	34,594	231,661
Outreach/other mobilization	5,773	79,886
Marketing and communication	26,487	40,992
Foreign exchange loss	5,054	
	<u>724,905</u>	<u>878,052</u>
GLOBAL CAMPAIGN		
Staff salary and benefits		25,958
Consultant services	369,178	263,727
Travel, commission and equipment	92,565	109,213
Key campaigns and moments	106,945	194,762
Foreign exchange loss	5,335	
	<u>574,023</u>	<u>593,660</u>
NATIONAL CAMPAIGN SUPPORT		
National and regional campaigns	<u>20,804</u>	<u>188,496</u>