

Global Campaign for Climate Action

Financial Statements

December 31, 2012

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Raymond Chabot Grant Thornton

Independent Auditor's Report

Raymond Chabot Grant Thornton LLP

Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Quebec H3B 4L8

Telephone: 514-878-2691
Fax: 514-878-2127
www.rcgt.com

To the Directors of
Global Campaign for Climate Action

We have audited the accompanying financial statements of Global Campaign for Climate Action, which comprise the statement of financial position as at December 31, 2012 and the statements of operations 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, 2012 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.

Comparative information

Without modifying our opinion, we draw attention to Note 3 to the financial statements which describes that Global Campaign for Climate Action adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2011 and January 1, 2011 and the statements of operations and net assets and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Raymond Chabot Grant Thornton LLP¹

Montréal
March 25, 2013

¹ CPA auditor, CA public accountancy permit no. A115879

Global Campaign for Climate Action Operations and Net Assets

Year ended December 31, 2012

(In U.S. dollars)

	<u>2012-12-31</u>	<u>2011-12-31</u>
	\$	\$
Revenues		
Operating grants	2,287,021	2,055,810
Other revenues	8,818	6,525
	<u>2,295,839</u>	<u>2,062,335</u>
Expenses		
Secretariat operations	383,855	385,394
Strategic campaign coordination	374,777	357,209
Communications	881,284	724,905
Global campaign	646,541	574,023
National campaign support	9,382	20,804
	<u>2,295,839</u>	<u>2,062,335</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, 2012

(In U.S. dollars)

	<u>2012-12-31</u>	<u>2011-12-31</u>
	\$	\$
OPERATING ACTIVITIES		
Non-cash items		
Amortization of computer equipment	1,389	2,948
Net change in working capital items	<u>(739,523)</u>	603,651
Cash flows from operating activities	<u>(738,134)</u>	<u>606,599</u>
INVESTING ACTIVITIES		
Term deposits	(1,288)	252,787
Computer equipment	<u>(1,991)</u>	
Cash flows from investing activities	<u>(3,279)</u>	<u>252,787</u>
Net increase (decrease) in cash and cash equivalents	(741,413)	859,386
Cash and cash equivalents, beginning of year	<u>1,338,680</u>	<u>479,294</u>
Cash and cash equivalents, end of year	<u><u>597,267</u></u>	<u><u>1,338,680</u></u>
CASH AND CASH EQUIVALENTS		
Cash	97,267	338,680
Term deposits	<u>500,000</u>	1,000,000
	<u><u>597,267</u></u>	<u><u>1,338,680</u></u>

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

Global Campaign for Climate Action

Financial Position

December 31, 2012

(In U.S. dollars)

	<u>2012-12-31</u>	<u>2011-12-31</u>	<u>2011-01-01</u>
	\$	\$	\$
ASSETS			
Current			
Cash	97,267	338,680	479,294
Term deposits	565,202	1,024,582	316,701
Prepaid expenses	18,211	2,289	1,224
Grants receivable	73,176		109,648
Other accounts receivable	941	677	38,430
	<u>754,797</u>	<u>1,366,228</u>	<u>945,297</u>
Long-term			
Computer equipment (Note 4)	1,881	1,279	4,227
Term deposits		39,332	
	<u>756,678</u>	<u>1,406,839</u>	<u>949,524</u>
LIABILITIES AND NET ASSETS			
Current			
Trade payables and other operating liabilities (Note 6)	108,343	47,758	104,258
Deferred contributions (Note 7)	648,335	1,359,081	845,266
	<u>756,678</u>	<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, 2012

(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 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Organization's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements, notes to financial statements and appendix. 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

Initial measurement

Upon initial measurement, the Organization's financial assets and liabilities from transactions not concluded with related parties are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at cost or amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred.

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities at cost or amortized cost (including any impairment in the case of financial assets).

With respect to financial assets measured at cost or amortized cost, the Organization assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Organization determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at cost or amortized cost is recognized in operations in the year the reversal occurs.

Global Campaign for Climate Action

Notes to Financial Statements

December 31, 2012

(In U.S. dollars)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 in cash and cash equivalents bank balances and investments with a maximum maturity of three months from the acquisition date or redeemable at any time without penalty.

Computer equipment

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

When the Organization recognizes that the computer equipment no longer has any long-term service potential, the excess of net carrying amount of computer equipment over its residual value is recognized as an expense in the statement of operations.

Foreign currency translation

The Organization uses the temporal method to translate transactions denominated in a foreign currency. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the date of the statement of financial position. Non-monetary assets and liabilities are translated at historical exchange rates, with the exception of those recognized at fair value, which are translated at the exchange rate in effect at the date of the statement of financial position. Revenue and expenses are translated at the average rate for the period, with the exception of the amortization of assets translated at the historical exchange rates which is translated at the same exchange rates as the related assets. The related exchange gains and losses are accounted for in the operations for the year.

3 - FIRST-TIME ADOPTION OF CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

These financial statements are the Organization's first financial statements prepared using new Canadian accounting standards for not-for-profit organizations (hereafter the "new accounting standards"). The date of transition to the new accounting standards is January 1, 2011.

Global Campaign for Climate Action

Notes to Financial Statements

December 31, 2012

(In U.S. dollars)

3 - FIRST-TIME ADOPTION OF CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS (Continued)

The accounting policies presented in Note 2 and resulting from the application of the new accounting standards were used to prepare the financial statements for the year ended December 31, 2012, the comparative information and the opening statement of financial position as at the date of transition.

Exemptions relating to first-time adoption

Section 1501, First-time Adoption by Not-for-profit Organizations, contains exemptions to full retrospective application which the Organization may use upon transition. The Organization did not apply any optional exemptions.

Impact of transition on net assets as at January 1, 2011

The transition to the new accounting standards on the Organization's net assets at the date of transition, that is January 1, 2011, is not significant.

Reconciliation of excess of revenues over expenses as at December 31, 2011

The excess of revenues over expenses as at December 31, 2011 determined using the new accounting standards is approximately equivalent to that determined using the previous accounting standards (pre-changeover accounting standards).

Statement of cash flows

Accounting standards regarding cash flows included in the new accounting standards are similar to those included in the previous accounting standards. The Organization has not made any major adjustment to the statement of cash flows.

4 - COMPUTER EQUIPMENT

	Cost	Accumulated amortization	2012-12-31 Net carrying amount	2012-12-31 Net carrying amount
	\$	\$	\$	\$
Computer equipment	6,235	4,354	1,881	1,279

5 - CREDIT FACILITY

The Organization has a credit facility in the form of credit cards for an authorized amount of C\$50,000 (\$49,745 as at December 31, 2012) bearing interest at a flat rate of 19% and renewable annually. As at December 31, 2012, term deposits of \$65,202 (\$63,914 as at December 31, 2011) have been deposited as collateral to cover available current credit facility.

Global Campaign for Climate Action

Notes to Financial Statements

December 31, 2012

(In U.S. dollars)

6 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	<u>2012-12-31</u>	<u>2011-12-31</u>
	\$	\$
Trade payables	67,912	41,900
Salaries payable	25,835	
Other	14,596	5,858
	<u>108,343</u>	<u>47,758</u>

7 - DEFERRED CONTRIBUTIONS

	<u>2012-12-31</u>	<u>2011-12-31</u>
	\$	\$
Balance, beginning of year	1,359,081	845,266
Amount received relating to the following year	1,576,275	2,569,625
Amount recognized in operations	<u>(2,287,021)</u>	<u>(2,055,810)</u>
Balance, end of year	<u>648,335</u>	<u>1,359,081</u>

8 - RELATED PARTY TRANSACTIONS

During the year, the Organization made payments of \$12,804 (\$12,912 in 2011) to organizations that employ board members or for which board members are also administrators, to cover various costs. As at December 31, 2012 and 2011, no amount is payable to those organizations.

During the year, the Organization received an amount of \$1,150,000 for its general operations from an organization of which a board member and an officer are board members. As at December 31, 2012, an amount of \$542,811 is recognized in the statement of operations as contributions.

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

9 - FINANCIAL INSTRUMENTS

Financial risks

The Organization's main financial risk exposure is detailed as follows.

Credit risk

The Organization is exposed to credit risk regarding the financial assets recognized in the statement of financial position. The Organization has determined that the financial assets with more credit risk exposure are trade payables and grants receivable, since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Organization.

The credit risk regarding cash and term deposits is considered to be negligible because the counterparty is a reputable bank with an investment grade external credit rating.

Global Campaign for Climate Action

Notes to Financial Statements

December 31, 2012

(In U.S. dollars)

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

Market risk

The Organization's financial instruments expose it to market risk, in particular interest rate risk, resulting from both its operating and its investing activities:

– Foreign exchange risk:

The Organization is exposed to foreign exchange risk due to cash, term deposits, other accounts receivable, and trade payables and other operating liabilities denominated in foreign currencies. As at December 31, 2012, cash and term deposits denominated in Canadian dollars totalled respectively \$32,973 and \$65,000 (\$51,572 and \$65,000 in 2011);

– Interest rate risk:

The term deposits 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.

Liquidity risk

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

Carrying amount of financial assets by category

The carrying amount of the Organization's financial assets that are measured at amortized cost totals \$1,188,410 (\$1,363,939 as at December 31, 2011).

Guaranteed financial liabilities

As at December 31, 2012, the total carrying amount of guaranteed financial liabilities is \$49,745.

10 - COMMITMENTS

The Organization has entered into lease agreements which call for lease payments of \$14,684 for the rental of office space and equipment. The leases expire on January 31 and September 30, 2013.

Global Campaign for Climate Action

Appendix

Year ended December 31, 2012

(In U.S. dollars)

	<u>2012-12-31</u>	<u>2011-12-31</u>
	\$	\$
SECRETARIAT OPERATIONS		
Staff salary and benefits	154,473	149,312
Consultant services	61,286	34,562
Travel, commission and equipment	35,225	36,417
Board meetings	21,624	37,041
Office operations	119,041	113,856
Foreign exchange loss (gain)	(7,794)	14,206
	<u>383,855</u>	<u>385,394</u>
STRATEGIC CAMPAIGN COORDINATION		
Consultant services	201,443	273,882
Strategic campaign actions	173,334	83,327
	<u>374,777</u>	<u>357,209</u>
COMMUNICATIONS		
Consultant services	664,100	638,545
Travel, commission and equipment	26,247	14,452
Digital strategy	124,474	34,594
Outreach/other mobilization	2,507	5,773
Marketing and communication	61,909	26,487
Foreign exchange loss	2,047	5,054
	<u>881,284</u>	<u>724,905</u>
GLOBAL CAMPAIGN		
Consultant services	511,588	369,178
Travel, commission and equipment	75,379	92,565
Key campaigns and moments	60,173	106,945
Foreign exchange loss (gain)	(599)	5,335
	<u>646,541</u>	<u>574,023</u>
NATIONAL CAMPAIGN SUPPORT		
National and regional campaigns	<u>9,382</u>	<u>20,804</u>