



Annual
Report

2009

Building Understanding | Fostering Growth

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 www.socialinvestment.ca

 416.461.6042

Our Mandate

| | |
|---|--|
| <p>1</p> <p>To take a leadership role in furthering the use of social and environmental criteria within the investment community in Canada</p> | <p>2</p> <p>To raise public awareness of socially responsible investment</p> |
| <p>3</p> <p>To establish the case for environmental / social analysis with other investment organizations</p> | <p>4</p> <p>To provide a forum and information source on socially responsible investment for our members and the public</p> |

Our members believe that socially responsible investment (SRI) represents a useful investment tool to enhance returns and reduce risk.



..... *It is also a catalyst for positive social change.*

Letter from the President and Executive Director

The last 12 months have been a trying time for the financial markets, and socially responsible investment.

The unprecedented events of 2008 have led to prolonged turmoil in the financial industry. We are not yet out of this turbulence, but there has been a welcome partial recovery in the capital markets.

This is good news for the SRI industry in Canada, as well as financial markets generally. With renewed confidence in world economies, it seems that SRI and the global financial markets have turned the corner from their bleakest days in 2008.

Socially responsible mutual funds and retail venture capital funds, for example, stood at just under \$11 billion on June 30, 2009, down 20 per cent from a year earlier but up significantly from their lows in the fall of 2008. With the 2009 rally continuing, it is expected that SRI funds will continue their climb in 2009.

One of the reasons that SRI has prevailed through the economic and financial crisis of 2008 is the belief by SRI clients that socially responsible investment is good for both investment portfolios and for the planet. Estimates contained in the 2008 Canadian Socially Responsible Investment Review, compiled by the SIO, showed a healthy increase in SRI assets to \$609 billion in June 2008 from \$503 billion two years earlier. While the report did not cover the period of historic declines in the fall of 2008, the study did demonstrate that a wide and growing range of Canadian investors are attracted to socially responsible investing.

The long-term strength of the industry has permitted the SIO to expand its activities. In 2008, SIO delivered the full range of its core programs, including the SRI Review, the 2009 national conference, the advisor networking events and its communications activities.

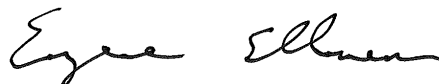
But it also launched many new initiatives, including a research project on the environmental, social and governance (ESG) roots of the financial crisis, and new policy and advocacy activities to encourage public companies to become more transparent on ESG. SIO also took a leadership role in drafting an international statement to world leaders in April 2009 calling for global reforms on sustainable and responsible finance. By the end of June, the organization was also embarking on a new advisor education course on SRI, new research to develop strategic approaches to SRI in the pension and foundation sectors and a new proposal to conduct research into high impact investments in local communities across Ontario.

SIO is committed to working on behalf of the socially responsible investment industry in Canada to expand its reach to new stakeholders and new clients in the years to come.

Sincerely,



President



Executive Director

Fostering Industry Growth

SIO's Three-Year Growth Plan

The socially responsible investment industry has enjoyed a period of significant growth, driven by unprecedented interest in climate change and other sustainability and social responsibility issues. In the last few years, the industry has undergone a period of extensive media attention. As well, numerous new entrants have come into the industry, both in Canada and abroad.

Barriers to Industry Growth

In spite of this growth, there continues to be an underlying sense that socially responsible investing (SRI) is not achieving its potential as an industry.

Industry experts believe that asset growth – while significant -- has not matched the perceived public and media concern with sustainability and social responsibility issues.

Barriers to growth have been identified in particular in the delivery of financial advice and in the foundations and pensions sectors.

The SIO's Three-Year Growth Plan

In June 2008, the SIO Board approved a Three-Year Growth Plan. The plan was the result of months of consultation with the Board, members and staff, beginning with a consultation at the 2007 Annual General Meeting.

The Growth Plan has three components:

1. **Financial Advisors:** initiatives to provide SRI training to a much broader group of financial advisors;
2. **Institutions:** a plan to work with the umbrella organizations in the **foundations and endowments** sector to improve foundation awareness of SRI and the **pension industry** to improve its practice of SRI;
3. **Investment Industry, Investment Regulators and Academics:** plans to hold annual conferences for our members and the investment industry, to improve the SIO's public policy capacity, and to continue to partner with the academic community.

Status Report

Progress over the past year in some of these areas is described on the next page.

*In the past two years, assets invested according to socially responsible guidelines have **increased by 21%, from Cdn \$503.6 billion to \$609.2 billion**, when markets generally experienced great difficulty.*

Socially responsible investors have maintained their confidence in SRI, and there is growing interest in finding solutions to global social and environmental issues through investment.

Advisor Education

The SIO's advisor education course, ***Socially Responsible Investment and Your Clients***, is a major priority, particularly for the SIO's retail mutual fund members. This course represents the SIO's key strategy in combatting lack of awareness of SRI by the financial advisor community, which has been identified as a key barrier to retail SRI growth.

The course has been developed in partnership with Advocis, and it is expected that it will be approved for Advocis CE credits and will be delivered by SIO staff to Advocis Chapters across Canada in 2009-2010.

The Pensions and Foundations and Endowments Sectors

A Pension Roundtable, initiated by the SIO, was held in June 2009, and the SIO is planning a second Roundtable toward the end of 2009. The Pension Roundtable represents the SIO's approach to pension funds that they collaborate with the for-profit side of the investment industry to help advance their own interests in SRI and the interests of the SRI sector as a whole.

As well, with funding from Environment Canada, the SIO retained consultants Mercer and Betsy Martin/Coro Strandberg to prepare reports on the opportunities and challenges in the Canadian pensions and foundations and endowments sectors. The reports will make recommendations regarding training opportunities for the SIO in collaboration with foundation umbrella groups and the pensions sector and are anticipated to help build understanding and foster adoption of responsible investment practices in these sectors.

Academic Partnerships

Academic partnerships are a major priority for the SIO, because academic research is a source of future industry innovation. It's important to have Canadian researchers work closely with the Canadian SRI industry to ensure that research reflects our approach to SRI and encourages innovation in the Canadian industry.

The SIO is a continuing partner in the Canadian Business Ethics Research Network (CBERN) SRI Cluster. The SRI Cluster formed as the result of the CBERN-organized SRI Workshop in April 2008. The purpose of the workshop was: (1) to bring together a core group of people engaged in SRI research in Canada; (2) to build a profile of SRI research in Canada; and (3) to discuss ways in which SRI research in Canada and SRI research by Canadians outside of Canada might be more effectively supported and coordinated and encouraged.

The SIO participates on the advisory committee for the Responsible Investment Initiative, an SRI research project at Carleton University funded by the Social Sciences and Humanities Research Council. The SIO was an advisor to the Community Foundations of Canada Responsible Investment Pilot Project and is also a member of the Linking Sustainability with Financial Value Network, an Environment Canada project to encourage sustainability in the capital markets.

SIO Board of Directors 2009

as at June 2009

President: **Cheryl Crowe**, SRI Specialist, Assiniboine Credit Union

Vice President: **Gary Hawton**, CEO, Meritas Mutual Funds

Treasurer: **Ken Thorpe**, Financial Planner, Promutuel Capital

Renee Arnold

VP, Canadian Marketing
Aberdeen Asset Management

Jordan Berger

Principal / Canadian Head of Responsible Investment
Mercer

Jennifer Coulson

Manager, Shareholder Action Program
Northwest & Ethical Investments L.P.

Andrew Crompton

Vice President, National Sales
Inhance Investment Management

Hélène Gagné

Directrice, Commercialisation, VP Fonds de placement
Fédération des Caisses Desjardins

Martin Grosskopf

Manager of Sustainability Research
Acuity Funds Ltd.

Michael Jantzi

President
Jantzi Research

Sue McGeachie

Sustainable Business Solutions
PricewaterhouseCoopers

Doug McGee

VP, Financial Advisory Services
Alterna Savings

Christina McLeod

Institutional Investments
Genus Capital Management

Debra Sisti

Vice President
RiskMetrics

Don Wilson

Regional Vice President, Sales and Distribution
BMO Insurance

Thank you to our retiring Board members

*On behalf of the other Directors, I would like to thank **Elaine McHarg** and **Rosalie Vendette**, who left the Board in the past year. Our heartfelt thanks to them for their service to the SIO and for their ongoing contributions to the SRI industry.*

Cheryl Crowe

Board Committees 2009

as at June 2009

Executive Committee

Members: Cheryl Crowe (Chair), Ken Thorpe, Gary Hawton, Sue McGeachie

Mandate: To oversee month-to-month operations of the organization.

Board Development Committee

Members: Sue McGeachie (Chair), Christie McLeod, Elaine McHarg, Ken Thorpe

Mandate: To recruit new board members and to oversee governance of the organization. To review the bylaws for the new open election process.

Conference Committee

Members: Cheryl Crowe (Chair), Doug McGee, Michael Jantzi, Craig Christie, Aaron Margolis

Mandate: To oversee the program for the 2009 conference.

French Language Services Committee

Members: Rosalie Vendette (Chair), Jordan Berger, Christie Stephenson, Phillippe Bélanger

Mandate: To encourage better service in the French language.

Mainstream Service Committee

Members: Debra Sisti & Jordan Berger (Co-Chairs), Renee Arnold, Julie Scott (RiskMetrics)

Mandate: To encourage broader service to the mainstream financial sector.

Policy and Advocacy Committee

Members: Kevin Ranney (Jantzi Research), Michelle de Cordova (Northwest & Ethical Investments L.P.), Laura O'Neill (SHARE)

Mandate: To oversee policy initiatives of the organization.

More about Board Development

With the growth in new members anticipated in the three-year plan, it will be more important than ever for the organization to have an appropriate governance system to provide assurance to all members that their views and opinions are being heard and considered by the Board of Directors.

The Board Development Committee is currently considering the governance structure of the organization, including the issue of opening the Board nomination process to members and providing for proxy voting (as is the case with the US Social Investment Forum). Such reforms will help to assure members that the organization is being governed appropriately in the interests of all members.

SIO Staff

Eugene Ellmen
Executive Director

Andrika Boshyk
Assistant Director

Sarah Thomson
Membership and
Communications Coordinator

The SIO gratefully acknowledges its
Sustaining Members (as at June
2009):

Acuity Funds Ltd.

Alterna Savings

The Ethical Funds Company

*Fédération des Caisses Desjardins
du Québec*

Inhance Investment Management

Meritas Mutual Funds

The SIO gratefully acknowledges its
Associate Members (as at June 2009):

Aberdeen Asset Management

Acadian Asset Management

Assiniboine Credit Union

Bâtirente

La Caisse d'économie solidaire

Desjardins

Citizens Bank of Canada

Credential Financial Inc.

Deloitte

Dexia Asset Management

F & C Asset Management

Fondaction

Genus Capital Management

GrowthWorks Capital Ltd.

Guardian Ethical Management

GWL Investment Management

Innovest Strategic Value Advisors

Investors Group

ISG Capital

Jantzi Research Inc.

Mackenzie Financial Services Inc.

Mavrix Mutual Funds

Mercer

Outlook Financial

*Phillips, Hager & North Investment
Management*

PricewaterhouseCoopers

RBC Asset Management

Responsible Investment Group

*RiskMetrics Group, Social Investment
Research Services*

Seamark Asset Management Ltd.

Standard Life Investments

Vancity Savings and Credit Union

Working Opportunity Fund

Membership and Communications

The SIO gratefully acknowledges all members for their support of our operation in 2008-09, for their ongoing participation on our committees and in other organizational activities, and for their commitment to socially responsible investing.

Sustaining Members

Sustaining membership is open to SIO members that have been with the organization for at least three years. As a top-ranking member of the SIO, the Sustaining Contribution package entitles the member to the full range of our services, including information, networking, marketing, branding, policy and advocacy. Sustaining members play a special role in the organization. The contribution of the Sustaining Members is critical in providing a stable and long-lasting funding base for the operations of the SIO. Sustaining Member contributions are used to directly fund the operating requirements of the organization.

Associate Members

Associate membership provides asset management firms, financial institutions, institutional investors, investment consultants and fund companies with a full range of information, networking, marketing and branding services.

Professional (Financial Advisor) Members

Professional membership helps financial advisors to build and maintain SRI expertise, to connect with companies offering SRI products and like-minded advisors, and to make potential clients aware of individual credentials and services by having a personal listing on the SIO's Financial Advisors website.

Organizational Members

Organizational members include non-governmental organizations (NGOs), charities and associations with an interest in socially responsible investing or who have social/environmental missions.

The SIO's core programs help to build the organization's membership base as well as an industry identity (the SRI brand), a nurturing public policy environment and the fundamental social capital of the industry, augmenting the relationship-building of the members themselves.

Communications

Core communications programs - the national conference, the member listservs (one for all members and an additional one for advisors only), the website, the SIO's monthly news digest, investor fact sheets, and media relations activities – help to convey the activities of the SIO, build awareness and industry collaboration, and reinforce the SRI brand.

Communications initiatives over the past year have included:

- ✚ enhancements to the SIO website, including the creation of dedicated sections for investors and the media as well as the creation of a Financial Advisors section of the website, making it easier for investors to find SRI advisors in their geographic area;
- ✚ an improved French language website and translation of SIO documents that had previously been English-only,
- ✚ a successful national conference on SRI in Winnipeg, Manitoba;
- ✚ participation in *Investment Executive* TV's 12-part series on Socially Responsible Investing;
- ✚ the striking of a new Public Relations Committee, which will begin its work in the fall of 2009.



The Canadian Responsible Investment Conference is the national conference for the responsible investment industry in Canada.

2009 Conference Topic Highlights

- Climate change
- Green real estate
- Sustainable options in renewable and non-renewable energy
- Canadian attitudes on sustainability
- Financial re-regulation
- Clean technology investing
- Access to water: poverty and investment issues
- Role of responsible investing in an economic downturn
- Investor commitment to SRI: the advisor perspective
- Community investing
- Aboriginal investing
- Academic research in responsible investing
- Microfinance
- Shareholder engagement

It was hard-hitting on the issues and substantive enough that I am challenged to identify the role that I can take in supporting people in their quest for a sustainable lifestyle for current and future generations.

2009 Conference participant

*We have been blessed with the opportunity to have a voice ... But there are tens of the world who don't have a voice. I believe we have a moral obligation to speak on make things better on their behalf. **This is not a world that should include poverty, ourselves, and we need to figure out how to slowly unwind that. That is a piece and a engagement: giving a voice to those who don't have a voice.** Even though we may never be able to look in their eyes, I believe we still have a responsibility to them as our global neighbours.*

*millions of people in their behalf and but we've created it part of **shareholder***

2009 Conference concluding remarks

Gary Hawton
 Vice President,
 Social Investment Organization
 and
 President & CEO,
 Meritas Mutual Funds

As a "newbie" to SRI - there was a wealth of information that gave me a much better understanding of the entire SRI industry.

2009 Conference participant

Policy and Advocacy

The SIO is led in its policy and advocacy activity by a Policy & Advocacy Committee comprised of board members and non-board members. The Committee is guided by terms of reference established in 2002 mandating the SIO to focus on public policy efforts to improve the capacity of investors to implement SRI, and to promote the social investment industry in Canada.

Through the years, this activity has focused on a number of initiatives, including pension and mutual fund transparency on SRI and proxy voting, “Know Your Client” rules, which would include SRI inquiry, corporate Environmental-Social-Governance (ESG) disclosure, improved corporate governance on ESG issues, and improved accounting guidance on ESG issues.

The SIO was also a signatory to a statement from the global Social Investment Forums on April 1, 2009, which, in addition to these issues, called for government assistance for investment in greentech and green infrastructure initiatives.

Here are our key submissions in 2008-9:

The SIO submits a comment letter to the Expert Panel on Securities Regulation regarding proposed securities regulatory reform

July 14, 2008

We agree that securities reform represents one of the most urgent policy issues in Canada today, both from an economic perspective to enhance Canada’s competitiveness, and from a social and sustainability perspective, in helping to improve the social responsibility of Canada’s corporations, and the sustainability of our society and economy. The SIO is on record as supporting a single securities regulator in Canada. We have stated that we believe that a single regulator would reduce regulatory costs for the financial industry, as well as provide a better model for principles-based regulation to improve social and environmental accountability, transparency and disclosure.

The SIO submits a brief to the Nova Scotia Pension Review Panel on pension issues in Nova Scotia

November 10, 2008

The SIO has two broad recommendations. We recommend that Nova Scotia Pension Benefits Regulations be amended to provide information to plan members on the extent that environmental, social and governance considerations are taken into account in the investment management process; and to require pension funds to disclose their proxy voting policies and records directly to plan members upon request, or publicly through their websites.

The SIO submits a comment letter on CSA* regulatory proposals related to the asset-backed commercial paper (ABCP) market in Canada

February 16, 2009

The widespread economic and social damage created by the collapse in credit markets must create a moment for regulatory reform on a comprehensive scale. We must recognize the regulatory failures that contributed to the market crisis, and pledge to address them so that the chances of such a market crisis from happening again are much reduced. We believe the route to such regulatory repair is through mandated transparency and disclosure so that markets can assess the true nature of the risks and opportunities presented by the increasingly complex array of investment products now available.

*CSA = Canadian Securities Administrators

The SIO joins international colleagues in developing a statement to world leaders from the global sustainable and responsible finance industry

April 1, 2009

The current economic crisis affords a unique opportunity and imperative to transition to a low-carbon, resource efficient and socially sustainable economy. As the umbrella organizations for the sustainable and responsible finance industry worldwide, we call on world leaders to respond to this challenge by incorporating sustainability and social responsibility measures into both the economic stimulus packages for short-term recovery and the longer-term reform of the credit and investment markets.

Fund for Action on Investment Responsibility



The SIO has established the **Fund for Action on Investment Responsibility (FAIR)** within the Tides Canada Foundation. The general purpose of the fund is to advance research and education on public policy to encourage investment in sustainable and socially responsible activities.

In September 2008, the SIO organized a “100-mile” fund-raising dinner for FAIR. The proceeds of that event enabled the SIO to commission a report on the “Financial Crisis and ESG”, which was published in June 2009 and is further described in the next section.

Research and Publications



In addition to the Review, the SIO publishes a quarterly chart listing performance of mutual funds and retail venture funds using social and environmental criteria to select investments. The chart is publicly available on the SIO website.

The **Canadian Socially Responsible Investment Review** is the only comprehensive survey of socially responsible investment (SRI) in Canada. Now in its fifth edition, the document has been produced by the Social Investment Organization every two years since 2000.

The 2008 study was based on data collected between September 2008 and January 2009 through a survey of money managers and social finance providers.

The results were combined with various publicly-available data on pension funds, mutual funds and renewable energy income trusts. As well, data on assets subject to ethical lending policies and assets related to sustainable venture capital deals were obtained from expert sources. The total of all these sources were used to arrive at the final estimates contained in this report.

Key findings

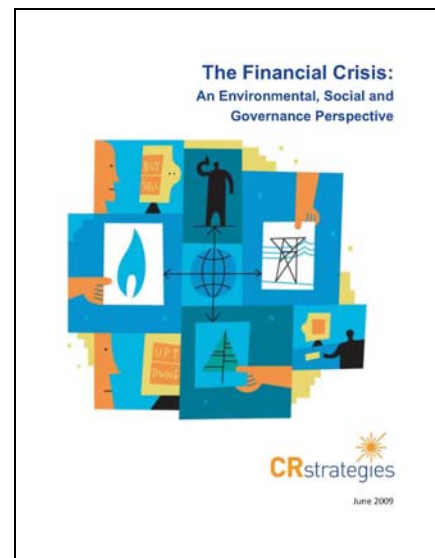
In the two years since publication of our last Review in 2006, assets invested according to socially responsible guidelines have **increased to \$609.2 billion from \$503.6 billion**, a 21 per cent increase in two years when markets generally experienced great difficulty. While the growth rate was lower than the growth rate experienced by SRI in the 2004 to 2006 period, this report shows that SRI is continuing to occupy a significant share of the financial services market in Canada.

The Financial Crisis: An Environmental, Social and Governance Perspective

Commissioned by the SIO in 2009 and released at the 2009 Canadian Responsible Investment Conference, this report examines the root causes of the financial crisis from the environmental, social and governance (ESG) perspective.

The report describes the progression of the crisis, places it in the Canadian context and analyzes the factors that are most relevant to socially responsible investors; namely governance and executive compensation, subprime and predatory lending, transparency and disclosure, securitization and systemic risk. It also comments on the role of regulatory gaps throughout the system.

The report also highlights similarities between the financial crisis and the issue of climate change and describes how lessons learned from the financial crisis can be applied to the climate change crisis. Finally, it provides a synopsis and assessment of the actions of the SRI community leading up to and during the crisis and makes recommendations for long-term investors and policy-makers.



Financials

**Social Investment Organization
Five-Year Comparative Income Statement**

| | Jul 08 - Jun 09 | Jul 07 - Jun 08 | Jul 06 - Jun 07 | Jul 05 - Jun 06 | Jul 04 - Jun 05 |
|---------------------------|------------------|------------------|------------------|------------------|------------------|
| Revenues | | | | | |
| <i>Memberships</i> | | | | | |
| Sustaining | \$90,000 | \$75,000 | \$75,000 | \$60,000 | \$75,000 |
| Associate and Inst. Supp. | \$122,917 | \$96,750 | \$58,000 | \$47,375 | \$38,646 |
| Professional | \$32,112 | \$27,669 | \$18,975 | \$15,304 | \$13,302 |
| Organizational | \$2,646 | \$3,350 | \$3,950 | \$4,117 | \$3,325 |
| Individual | \$0 | \$0 | \$1,550 | \$1,040 | \$2,359 |
| Other | \$77 | \$99 | \$1,036 | \$1,737 | \$194 |
| Total Memberships | \$247,752 | \$202,868 | \$158,511 | \$129,573 | \$132,826 |
| <i>Other Income</i> | | | | | |
| Conference | \$105,062 | \$0 | \$164,764 | \$0 | \$99,521 |
| Projects (1) | \$40,285 | \$21,895 | \$69,735 | \$3,211 | \$14,000 |
| Grants | \$0 | \$0 | \$0 | \$0 | \$0 |
| Miscellaneous (2) | \$8,075 | \$4,101 | \$1,741 | \$8,249 | \$4,877 |
| Total Other | \$153,422 | \$25,996 | \$236,240 | \$11,460 | \$118,398 |
| Total Revenues | \$401,174 | \$228,864 | \$394,751 | \$141,033 | \$251,224 |
| Expenditures | | | | | |
| Payroll, Admin & Mgmt | \$159,558 | \$112,266 | \$133,799 | \$102,893 | \$100,275 |
| Projects | \$21,124 | \$15,625 | \$40,050 | \$0 | \$5,777 |
| Conference | \$100,461 | \$0 | \$163,968 | \$0 | \$81,546 |
| Consulting | \$1,575 | \$0 | \$0 | \$0 | \$1,250 |
| Marketing Expenses | \$11,529 | \$9,269 | \$9,472 | \$7,016 | \$4,455 |
| Newsletter & Web | \$1,640 | \$2,202 | \$2,530 | \$1,246 | \$2,859 |
| Travel | \$7,115 | \$8,205 | \$6,058 | \$11,788 | \$7,806 |
| Board Development | \$3,317 | \$2,684 | \$3,128 | \$2,553 | \$2,977 |
| AGM | \$1,655 | \$1,096 | \$3,775 | \$2,241 | \$2,949 |
| Rent | \$17,989 | \$17,262 | \$14,402 | \$14,282 | \$13,682 |
| Accounting/Audit | \$5,909 | \$5,366 | \$4,884 | \$4,509 | \$5,213 |
| Insurance | \$2,772 | \$2,762 | \$2,747 | \$2,643 | \$2,655 |
| Office | \$7,195 | \$4,462 | \$4,199 | \$3,047 | \$3,882 |
| Miscellaneous (3) | \$26,395 | \$6,678 | \$9,142 | \$7,143 | \$10,795 |
| FAIR | \$24,676 | \$4,757 | \$0 | \$0 | \$0 |
| Total Expenditures | \$392,910 | \$192,634 | \$398,154 | \$159,361 | \$246,121 |
| Net Income | \$8,264 | \$36,230 | -\$3,403 | -\$18,328 | \$5,103 |

1) 2008-09 includes \$24,135 of income from fundraising for Fund for Action on Investment Responsibility

2) Includes donations, interest and expense recovery

3) Includes translation, Green Budget Coalition, professional development, publications, office equipment and computers, courier, postage, telephone, finance charges, amortization and bad debt expenses.

Financial Statements

**Social Investment Organization
Association Pour l'Investissement Responsable**

June 30, 2009



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AUDITOR'S REPORT

To the Members of Social Investment Organization Association Pour l'Investissement Responsable,

I have audited the statement of financial position of Social Investment Organization Association Pour l'Investissement Responsable as at June 30, 2009, the statement of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted an audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 disclosure 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 my opinion, these financial statements present fairly, in all material respects, the financial position of Social Investment Organization Association Pour l'Investissement Responsable as at June 30, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Canada Corporations Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Ellen Kaas

Ellen Kaas CA Professional Corporation,
Authorized to practise public accounting by The Institute of Chartered Accountants of Ontario
Toronto, Ontario
September 18, 2009

Social Investment Organization Association Pour l'Investissement Responsable

Statement of Financial Position

As at June 30, 2009, with comparative figures for 2008

| | 2009 | 2008 |
|--|----------------|-----------------|
| | \$ | \$ |
| ASSETS | | |
| Current assets | | |
| Cash | 25,771 | 5,349 |
| Short-term investments (Note 3) | 31,767 | 45,705 |
| Accounts receivable | 90,334 | 60,132 |
| Prepaid expenses | 2,424 | 5,125 |
| | <u>150,296</u> | <u>116,311</u> |
| Capital assets, net (Note 4) | <u>2,376</u> | <u>507</u> |
| | <u>152,672</u> | <u>116,818</u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable and accruals | 67,589 | 17,574 |
| Deferred memberships (Note 7) | 81,998 | 102,848 |
| Deferred revenues (Note 6) | 8,252 | 9,827 |
| | <u>157,839</u> | <u>130,249</u> |
| Net assets | | |
| Net assets invested in capital assets | 2,376 | 507 |
| Unrestricted net assets | <u>(7,543)</u> | <u>(13,938)</u> |
| | <u>(5,167)</u> | <u>(13,431)</u> |
| Commitments and contingencies (Note 9) | | |
| | <u>152,672</u> | <u>116,818</u> |

See accompanying notes to financial statements.

On behalf of the Board:

Chyl Crouse [Signature]
Director Director

Social Investment Organization Association Pour l'Investissement Responsable

Statement of Operations

Year ended June 30, 2009, with comparative figures for 2008

| | 2009 | 2008 |
|--|----------------|----------------|
| | \$ | \$ |
| Revenue | | |
| Memberships | 247,752 | 202,868 |
| Conference | 105,062 | 0 |
| Members' events | 35,035 | 21,895 |
| Recovery of expenses | 6,819 | 3,351 |
| General projects | 5,250 | 0 |
| Interest and other | 1,256 | 750 |
| | <u>401,174</u> | <u>228,864</u> |
| Expenses | | |
| Salaries and benefits | 159,426 | 112,265 |
| Conference | 100,461 | 0 |
| Administration | 39,424 | 18,868 |
| Members' events | 38,017 | 19,192 |
| Marketing and development | 20,285 | 14,080 |
| Rent | 17,989 | 17,262 |
| General projects | 11,433 | 2,029 |
| Board development and A.G.M. | 4,972 | 3,504 |
| Amortization | 903 | 677 |
| Fund for Action on Investment Responsibility (FAIR) (Note 8) | 0 | 4,757 |
| | <u>392,910</u> | <u>192,634</u> |
| Excess of revenues over expenses | <u>8,264</u> | <u>36,230</u> |

See accompanying notes to financial statements.

Social Investment Organization Association Pour l'Investissement Responsable

Statement of Changes in Net Assets

Year ended June 30, 2009 with comparative figures for 2008

| Net Assets | Invested in capital assets | Unrestricted | Total Net Assets 2009 | Total Net Assets 2008 |
|--|-------------------------------|----------------|-----------------------------|-----------------------------|
| | \$ | \$ | \$ | \$ |
| Balance, beginning of year | 507 | (13,938) | (13,431) | (49,661) |
| Excess (deficiency) of revenues over expenses | (903) (a) | 9,167 | 8,264 | 36,230 |
| Investment in capital assets | 2,772 (b) | (2,772) | 0 | 0 |
| Balance, end of year | 2,376 | (7,543) | (5,167) | (13,431) |

(a) Consists of amortization of capital assets during the year

(b) Consists of donated capital assets and capital assets purchased with unrestricted resources

See accompanying notes to financial statements.

Social Investment Organization Association Pour l'Investissement Responsable

Statement of Cash Flows

Year ended June 30, 2009, with comparative figures for 2008

| | 2009 | 2008 |
|--|----------|----------|
| | \$ | \$ |
| Cash flows from operating activities: | | |
| Excess of revenues over expenses | 8,264 | 36,230 |
| Item not requiring a current cash payment: | | |
| Amortization | 903 | 677 |
| Cash flows from operating activities: | 9,167 | 36,907 |
| Changes in non-cash working capital: | | |
| Decrease (increase) in accounts receivable | (30,203) | (5,347) |
| Decrease (increase) in prepaid expenses | 2,701 | (3,708) |
| Increase (decrease) in accounts payable and accruals | 50,016 | (7,849) |
| Increase (decrease) in deferred memberships | (20,850) | 37,764 |
| Increase (decrease) in deferred revenues | (1,575) | (5,595) |
| | 89 | 15,265 |
| Cash flows from investing activities: | | |
| Sale of (Additions to) capital assets | (2,772) | 0 |
| Sale of (Additions to) short-term investments | 13,938 | (45,500) |
| | 11,166 | (45,500) |
| Net increase (decrease) in cash during year | 20,422 | 6,672 |
| Cash and cash equivalents beginning of year | 5,349 | (1,323) |
| Cash and cash equivalents end of year | 25,771 | 5,349 |

See accompanying notes to financial statements.

Social Investment Organization Association Pour l'Investissement Responsable

Notes to Financial Statements

Year ended June 30, 2009

1. ORGANIZATION

Social Investment Organization Association Pour l'Investissement Responsable is a national organization founded in 1989 dedicated to the advancement of socially responsible investment in Canada. It was incorporated by Letters Patent on September 25, 1990 under the Canada Corporations Act as a not-for-profit organization under the name of The SIO - The Social Investment Organization. The name was changed by Supplementary Letters Patent dated September 11, 2003 to Social Investment Organization Association Pour l'Investissement Responsable.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. Outlined below are those policies considered to be particularly significant:

a) Basis of presentation

The preparation of financial statements 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, expenses and changes in net assets during the year. Actual results could differ from those estimates.

b) Revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c) Membership revenues

Membership is divided into a number of categories. Sustaining membership contributions are recognized as income in the period in which the contributions are received. Associate, professional, and organizational membership contributions are recognized as revenue over the term of the memberships.

d) Short-term investments

Investments are classified as held for trading and stated at fair value. The cost of the short-term investment and the accrued interest approximate fair value.

Social Investment Organization Association Pour l'Investissement Responsable

Notes to Financial Statements (continued)

Year ended June 30, 2009

e) Capital assets

Purchased capital assets are recorded at cost. Amortization is provided on a straight line basis over the assets' estimated useful lives, which for furniture and equipment is 5 years and for computers is 3 years.

f) Contributed services

Volunteers contribute many hours per year to assist Social Investment Organization Association Pour l'Investissement Responsable in carrying out its mandate. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

g) Translation of foreign currencies

All foreign denominated monetary assets and liabilities are translated at the exchange rate prevailing at the year end. All foreign denominated receipts and disbursements are translated at the exchange rate prevailing at the time of receipt or disbursement.

h) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances the classification is not changed subsequent to initial recognition. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized immediately in income or they are capitalized depending on the nature of the transaction and the classification of the associated product.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amount approximate fair values.

i. Held-for-trading: Financial instruments classified as held-for-trading are carried at fair value on the statement of financial position with changes in fair value being reported on the statement of operations. Any financial asset or liability whose fair value can readily be measured may be classified as being held-for-trading. Any transaction costs related to this category are expensed as incurred. Social Investment Organization Association Pour l'Investissement Responsable has classified its cash and bank and short term investments as held-for-trading.

ii. Loans and receivables: Loans and receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. Any transaction costs related to this category are expensed as incurred. Social Investment Organization Association Pour l'Investissement Responsable has classified its accounts, grants receivable and the amount due from a related party, Canadian Parks and Wilderness Society (CPAWS) as loans and receivables.

Social Investment Organization Association Pour l'Investissement Responsable

Notes to Financial Statements (continued)

Year ended June 30, 2009

iii. Other financial liabilities: Other financial liabilities include all financial liabilities other than those classified as held-for-trading. These liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. Any transaction costs related to this category are expensed as incurred. Social Investment Organization Association Pour l'Investissement Responsable has classified its accounts payable and accruals as other financial liabilities.

3. INVESTMENTS

The organization has invested in redeemable term deposits with a one year maturity date.

The term deposit bears a yield to maturity of 2.3% maturing February 2010. Accrued interest of \$ 462.46 for the year ended June 30, 2009 (\$498.45 - 2008) is included in investment income on the statement of operations.

Returns on investments are subject to risk factors specific to general economic conditions. This risk is mitigated by investing in redeemable term deposits.

4. CAPITAL ASSETS

| | cost | accumulated amortization | 2009 net book value | 2008 net book value |
|---|--------|-----------------------------|---------------------------|---------------------------|
| Furniture & equipment | 4,641 | (2,265) | 2,376 | 317 |
| Computer equipment | 5,669 | (5,669) | 0 | 190 |
| | 10,310 | (7,934) | 2,376 | 507 |
| Net decrease (increase) in capital assets | | | (1,869) | 677 |

5. CREDIT FACILITY

The organization has a credit facility that provides a commercial line of credit to a maximum of \$ 20,000.00. The line of credit, when drawn, bears interest at 9.5% and is due on demand. The organization has no outstanding balances against the operating loan as of June 30, 2009 (\$0, 2008). The organization's credit facility is secured by a general security agreement over accounts receivable, inventory and equipment.

Social Investment Organization Association Pour l'Investissement Responsable

Notes to Financial Statements (continued)

Year ended June 30, 2009

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent revenues collected for the Quebec workshop but not spent by the end of the fiscal year.

| | 2009 | 2008 |
|--|-------|--------|
| | \$ | \$ |
| Balance, beginning of period | 9,827 | 15,422 |
| Revenue received during the period | | |
| Amount recorded as revenue in the period | 1,575 | 5,595 |
| Balance, end of period | 8,252 | 9,827 |

7. DEFERRED MEMBERSHIPS

Deferred memberships represent memberships received or billed by the organization relating to the subsequent period.

| | 2009 | 2008 |
|---|---------|---------|
| | \$ | \$ |
| Balance, beginning of period | 102,848 | 65,083 |
| Memberships received/receivable during the period | 226,902 | 240,633 |
| Amount recorded as revenue in the period | 247,752 | 202,868 |
| Balance, end of period | 81,998 | 102,848 |

8. FUND FOR ACTION ON INVESTMENT RESPONSIBILITY (FAIR)

The Organization has established a Fund - the Fund for Action on Investment Responsibility (FAIR) within the Tides Canada Foundation. The general purpose of the fund is to advance research and education on public policy to encourage investment in sustainable and socially responsible activities. While the Organization does not have control over these funds, it does act as an advisor to make recommendations on the distributions of the Fund. During the 2008-09 the Organization expensed costs to set up and promote the Fund. The organization hosted an event to promote the fund in the current fiscal year.

9. COMMITMENTS AND CONTINGENCIES

The organization is renting office space but is not committed to a lease at this time.

Social Investment Organization Association Pour l'Investissement Responsable

Notes to Financial Statements (continued)

Year ended June 30, 2009

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

11. FUTURE ACCOUNTING CHANGES

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the organization, are as follows:

Financial Statement Presentation by Not For Profit Organizations:

CICA Handbook Section 4400 has been amended for the treatment of capital assets and for the presentation of revenues and expenses. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The organization is currently assessing the impact of the new standard.