



SIERRA LEGAL

2006

Victories Report

A Word from Our Executive Director

To Our Valued Supporter,

Once again I want to offer my personal thanks for your support throughout 2006. In the past year, the environment has exploded into the consciousness of Canadians, and the need for genuine leadership and solutions for environmental challenges has emerged as the number one issue in the minds of voters. In 2006, Sierra Legal was at the forefront of issues like global warming, drinking water, and the protection of rare species, thanks to the generous support you provide.

In these pages you will find our top victories from 2006, a year in which we fought for crucial amendments to the federal government's proposed *Clean Air Act*; released a national report on the state of our drinking water; and continued working to stop the sewage contamination of our waterways by exposing the pollution in the Great Lakes and by securing a commitment from Victoria to finally end the practice of dumping raw sewage into the Pacific Ocean.

These are just a few of the stand-out wins that your support helped to achieve. As we move forward in 2007, we are building on our past success, not only to attain critical new victories for endangered species and for the protection of our air and water, but also to provide national leadership in the fight against global warming and to embrace our responsibilities in building a stronger, more unified Canadian environmental community.

Your generosity makes all of this possible. On behalf of everyone at Sierra Legal, I offer you our most sincere gratitude for your commitment to our work, and hope that you will take the time to look through these pages and reflect on the healthier environment you are helping to create.



A handwritten signature in black ink that reads "Rob Mitchell".

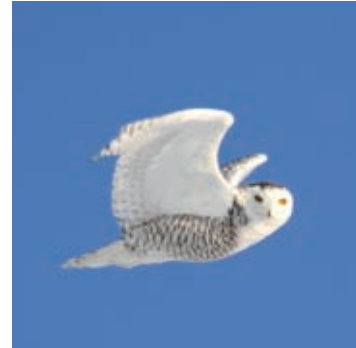
ROBERT MITCHELL
Executive Director





Air

- **CLEARING THE AIR:** Advocated through political channels, the courts and the court of public opinion for strong legislation to curb global warming and reduce air pollution in Canada. Our advocacy was instrumental in securing crucial amendments that strengthen the federal governments proposed *Clean Air Act*.
- **BC GOES GREEN:** Laid the groundwork for a sweeping green plan that could make BC a world leader in addressing global warming. Our highly publicized provincial climate change poll showed overwhelming public opposition to coal power and high support for climate change legislation. Two months later, Premier Gordon Campbell announced that the province would reduce its greenhouse gas emissions by 33 per cent by the year 2020 and would require any new coal power projects in the province to be carbon neutral.
- **RADIOACTIVE INCINERATOR STOPPED:** Championed the rights of a local residents group to halt controversial plans to burn radioactive waste at an incinerator in Brampton, Ontario. With Sierra Legal's help, the People Against Radioactive Contamination successfully fought the proposal. The company has now withdrawn both its proposal as well as its challenge of Brampton's bylaw banning new incinerators.
- **US POWER PLANT HALTED:** Stopped the controversial Sumas II power plant from being built on the British Columbia – Washington State border. Our hard-won precedent at the National Energy Board and subsequent victory at the Federal Court of Appeal protects millions of Canadians from thousands of tonnes of greenhouse gases and air pollution.



HUGH WILKINS

A specialist in global warming and international law, Hugh came to Sierra Legal on the heels of an impressive string of accomplishments including his work as legal representative for the Republic of the Marshall Islands during international climate change negotiations in 2000.



Water

- **TAPWATER MAKES THE GRADE:** Published *Waterproof II: Canada's Drinking Water Report Card*, an investigative analysis of drinking water standards across the country.

The report documented an encouraging improvement in how most provinces are dealing with drinking water since our first report, but condemned the federal government for failing to adequately monitor and regulate the growing bottled water industry.

- **PROTECTING THE GREAT LAKES:** Made waves in Canada and the US by revealing more than 90 billion litres of raw sewage is being dumped into the



Great Lakes each year. In what has been hailed by media and politicians on both sides of the border as a landmark report, our first ever *Great Lakes Sewage Report Card* analyzed and graded 20 municipalities throughout the region and called on all levels of government to upgrade antiquated sewer systems and boost efforts to conserve this vital freshwater resource.

- **ONTARIO POLLUTERS PAY:** Bolstered pollution control in Ontario by successfully advocating for key improvements to Bill 133, the “Spills Bill.” The new legislation outlines tough new penalties for industrial polluters guilty of contaminating the province’s water resources.



LARA TESSARO

In the past year Lara has been instrumental in launching two high-profile lawsuits aimed at stopping Greater Vancouver from dumping billions of litres of raw sewage into the ocean and in securing a hard-won promise to end similarly filthy practices in Victoria.

- **VICTORIA SEWAGE VICTORY:** Secured a hard-won commitment from the BC government to finally end the practice of dumping billions of litres of raw sewage into the ocean in Victoria, BC. After a decade of pressure from Sierra Legal and a coalition of dedicated groups, the province submitted to the groups' demands and ordered the municipality to craft a plan to ensure sewage is properly treated. In making his announcement, BC Environment Minister Barry Penner specifically cited Sierra Legal's investigative work that demonstrated that the areas around the municipality's sewage outfalls have become so polluted that they now qualify as "contaminated sites" under BC law.
- **OPPOSING DESTRUCTIVE FISHFARMS:** Defended the rights of citizens to protect their local marine environment and by publishing a citizen's handbook for communities opposed to the unbridled expansion of controversial open-net salmon farming in BC. The guide highlights key laws that can help citizens and communities protect wild salmon stocks and stop activities that could put local ecosystems at risk.



Living Spaces

- **VICTORY FOR THE BIRDS:** Succeeded in securing the release of a scathing investigation by NAFTA's environmental watchdog into the illegal destruction of at least 45,000 bird's nests in Ontario each year. The NAFTA watchdog's findings confirmed Sierra Legal's allegations that the federal government is turning a blind eye to widespread destruction of birds' nests during clear-cut logging activities. Their behaviour does not dovetail with Canada's *Migratory Birds Convention Act* – and thus sets the stage for a legal challenge.
- **PRISTINE WILDERNESS SPARED:** Protected one of North America's largest pristine watersheds, as well as an endangered

woodland caribou herd, by stopping a mining company from building a road through the Taku watershed. In the face of our legal challenge, the company withdrew plans to carve a 160-kilometre road through the Taku to the Tulsequah Chief mine.



- **SAVING ONTARIO SPECIES:** Ensured that the Ontario government followed through on its commitment to pass the strongest provincial endangered species legislation in Canada. After

extensive public consultation and input from stakeholders, the province introduced new legislation that will protect the province's 200 endangered species and their habitats. We will now be working to ensure that the legislation passes into law.



SEAN NIXON

A self proclaimed “environmentalist first and reluctant lawyer second,” Sean launched his legal career because he was inspired by the power of the laws to hold government and industry to account for causing environmental harm. Sean has worked extensively on energy policy in BC in the lead up to this year's announcement that the province will commit to reducing greenhouse gases by 33 per cent by the year 2020.

- **PROTECTION FOR PARKS:** Achieved a huge victory for Ontario's 600 provincial parks and conservation reserves with the passing of the province's first new parks act in 50 years. We made key submissions and recommendations to the new law which holds Ecological Integrity as its guiding principle – a key foundation that puts nature first and prevents the industrial development of protected areas.
- **LAWSUIT SAVES SPECIES:** As a result of a Sierra Legal lawsuit launched against the federal government over the endangered piping plover, in a surprise move, not only did the government promise to act on our legal concerns, it agreed to also address a bureaucratic backlog that had put the survival of more than 80 endangered species in jeopardy.



PAUL FALVO

For the past year Paul has worked for Sierra Legal providing a strong voice for the protection of the Canada's northern wilderness. In addition to his tireless work on the proposed Mackenzie Valley Gas Pipeline, Paul is an elected member of the Yellowknife city council, a first aid instructor, and a first responder with the Yellowknife Coast Guard Auxiliary.

Healthy Communities

- **LANDMARK DECISION HALTS MINING:** Hailed as one of the most important precedents in Ontario's judicial history concerning Aboriginal rights and the ability for northern communities to protect their environment, Sierra Legal assisted the Kitchenuhmaykoosib Inninuwug (KI) First Nation in their efforts to stop a mining company from exploiting platinum deposits within their traditional territory. The Superior Court issued its landmark decision stating that companies must respect community interests and cannot steamroll over the rights of Aboriginal people. The decision will affect thousands of mining claims in Ontario and set a precedent for mining activities across Canada.



- **VICTORY FOR COMMUNITY HEALTH:** Quashed a bid to build a controversial nuclear fuel processing facility in Port Hope, Ontario. One day after Sierra Legal made submissions concerning the safety risks of the project, the company withdrew its proposal.
- **PULP MILLS SLAMMED:** Exposed pulp mills from central and eastern Canada that continue to violate federal laws by dumping toxic effluent into local waterways, while revealing that the Government of Canada rarely takes legal action against the worst offenders. In response to a complaint filed by Sierra Legal, NAFTA's environmental watchdog slammed the government for allowing the mills to pollute with impunity. We will use these findings to continue to press for prosecutions of these polluters.



JUSTIN DUNCAN

Justin is a proud soon-to-be father and staff lawyer in our Toronto office. An expert in aboriginal rights and conservation issues, he has been integral in the fight to empower cities to stop the use of pesticides and protect the health of their communities.

Stewardship Report

Thank you to our wonderful donors as our revenue from foundation grants and from public appeals continues to increase. This has allowed us to continue to expand our core legal program. As well we were able to set aside some of our surplus to an internal “rainy day” fund to carry on core work in the event of economic events beyond our control.

Ever mindful of our obligation to administer our operations efficiently, we continue to review our priorities and expenditures. Our fundraising efforts have resulted in both an increased donor base and increased returns on these efforts. I am very pleased to report that fundraising costs as a percentage of public appeals has decreased from 16 per cent in 2005 to 14.5 per cent in 2006.

We tend to experience an uneven pattern of revenue receipts from public appeals and foundation grants over the course of the year while our expenditures tend to be more evenly divided over the year. This requires us to pay particular attention to the management of our funds, investing funds wisely when there are surpluses, so as to meet our obligations in the more lean months. Thus we owe a particular gratitude to our monthly donors who support us through the good times and the lean.

A major part of the increase in foundation grants is attributed to our participation in the Mackenzie Valley Pipeline hearings. This project accounts for the increases in travel and litigation and program support expenses.

Once again we thank our funders, our donors, our board and our staff for their support and work over the past year and we are certain the work started this year will carry forward to even more successes next year.



MARION GREENE
Financial Manager

Auditors' Report

We have audited the statement of financial position of Sierra Legal Defence Fund Society as at October 31, 2006 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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 common with many not-for-profit organizations, the Society derives revenue from donations of cash and services, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenditures, current assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Society as at October 31, 2006 and the results of its operations and the changes in its net assets and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Society Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

BERRIS MANGAN CHARTERED ACCOUNTANTS

Vancouver, BC, February 21, 2007

STATEMENT OF FINANCIAL POSITION | OCTOBER 31, 2006

	Operating Fund	Property and Equipment Fund	Litigation Fund	2006	2005
ASSETS					
CURRENT					
Cash	\$ 310,253	\$ -	\$ -	\$ 310,253	\$ 256,698
Short term investments (Notes 2(a) and 4)	378,599	-	250,000	628,599	387,750
Marketable securities (Notes 2(a) and 5)	111,699	-	-	111,699	128,150
GST recoverable	20,251	-	-	20,251	39,550
Receivables	61,560	-	-	61,560	16,045
Prepaid expenses	28,353	-	-	28,353	17,506
	910,715	-	250,000	1,160,715	845,699
PROPERTY AND EQUIPMENT, net (Note 6)	-	79,970	-	79,970	90,906
	\$ 910,715	\$ 79,970	\$ 250,000	\$ 1,240,685	\$ 936,605
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	\$ 189,393	\$ -	\$ -	\$ 189,393	\$ 108,044
Deferred contributions (Notes 2(d) and 8)	148,938	-	-	148,938	160,621
	338,331	-	-	338,331	268,665
NET ASSETS (Notes 2(f) and 9)	572,384	79,970	250,000	902,354	667,940
COMMITMENTS (Note 10)					
CONTINGENT LIABILITY (Note 11)					
SUBSEQUENT EVENT (Note 12)					
	\$ 910,715	\$ 79,970	\$ 250,000	\$ 1,240,685	\$ 936,605

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended October 31, 2006

	Operating Fund	Property and Equipment Fund	Litigation Fund	2006	2005
REVENUE					
Foundation grants	\$ 1,169,470	\$ -	\$ -	\$ 1,169,470	\$ 668,254
Contributions from other community groups	56,317	-	-	56,317	66,773
Cost awards and recoveries	136,314	-	-	136,314	113,766
Donations					
– public appeals	1,834,235	-	-	1,834,235	1,667,421
– other donations and bequests	527,621	-	-	527,621	710,989
Investment income	34,622	-	-	34,622	15,430
	3,758,579	-	-	3,758,579	3,242,633
EXPENSES					
Salaries and compensation	1,903,715	-	-	1,903,715	1,786,655
Public education	465,603	-	-	465,603	398,892
Facilities and office	341,898	-	-	341,898	316,702
Litigation and program support	318,598	-	-	318,598	131,026
Fundraising	266,908	-	-	266,908	266,906
Travel	102,322	-	-	102,322	58,131
Human resources	89,981	-	-	89,981	76,056
Science and research	5,441	-	-	5,441	4,882
Amortization	-	29,699	-	29,699	32,195
	3,494,466	29,699	-	3,524,165	3,071,445
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	264,113	(29,699)	-	234,414	171,188
NET ASSETS					
Beginning of year	327,034	90,906	250,000	667,940	496,752
Property and equipment acquired	(18,763)	18,763	-	-	-
NET ASSETS AT END OF YEAR	\$ 572,384	\$ 79,970	\$ 250,000	\$ 902,354	\$ 667,940

STATEMENT OF CASH FLOWS | YEAR ENDED OCTOBER 31, 2006

	2006	2005
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures:		
Operating fund	\$ 264,113	\$ 203,383
Property and equipment fund	(29,699)	(32,195)
	<u>234,414</u>	<u>171,188</u>
Add: Items not involving cash:		
Property and equipment fund		
Amortization of property and equipment	<u>29,699</u>	<u>32,195</u>
	<u>264,113</u>	<u>203,383</u>
Changes in non-cash working capital		
Operating fund		
Decrease (increase) in GST recoverable	19,299	(16,357)
Decrease (increase) in receivables	(45,515)	30,864
Increase in prepaid expenses	(10,847)	(544)
Increase (decrease) in payables and accrued liabilities	81,349	(742)
Increase (decrease) in deferred contributions	(11,683)	29,130
	<u>32,603</u>	<u>42,351</u>
	<u>296,716</u>	<u>245,734</u>
INVESTING ACTIVITIES		
Property and equipment fund		
Purchase of property and equipment	(18,763)	(15,415)
Operating fund		
Purchase of short term investments	(1,298,806)	(387,750)
Proceeds from sale of short term investments	1,057,957	-
Purchase of marketable securities	(1,624)	(2,123)
Proceeds from sale of marketable securities	18,075	-
	<u>(243,161)</u>	<u>(405,288)</u>
NET INCREASE (DECREASE) IN CASH	53,555	(159,554)
CASH, BEGINNING OF YEAR	<u>256,698</u>	<u>416,252</u>
CASH, END OF YEAR	<u>\$ 310,253</u>	<u>\$ 256,698</u>

NOTES TO FINANCIAL STATEMENTS | YEAR ENDED OCTOBER 31, 2006

1. PURPOSE OF THE SOCIETY

The purpose of the Sierra Legal Defence Fund Society is to provide nationwide environmental legal remedies to protect the natural environment of Canada through the promotion and enforcement of the existing laws of Canada.

The Society is registered with Canada Revenue Agency as a charitable organization and therefore, exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

- a) Short Term Investments and Marketable Securities: Investments are managed pursuant to instructions that ethical investments are given priority. Investments are accounted for at the lower of cost or market value at the balance sheet date.
- b) Long-Term Investments: Investments are recorded at cost unless it is determined that there is a permanent decline in value in which case the investments are written down to recognize the loss.
- c) Revenue and Expenditures Recognition: Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are received or receivable with the exception of contributions for the funding of operating expenses in specific future periods. Such contributions are deferred and included as revenue in that later period. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue in the Endowment Fund.

- d) Deferred Contributions: Grants received for specific projects related to general operations are recognized in the operating fund in accordance with the terms of each grant. Certain contributions are received in advance for future expenditures, therefore, these contributions are deferred and included in revenue in future periods.
- e) Donated Services: The Society benefits greatly from donated services in the form of volunteer time for various activities. The value of donated services is not recognized in these financial statements.
- f) Funds: The Society follows the restricted fund method for accounting for contributions. It segregates its net assets into Operating, Property and Equipment, and Restricted Funds.
 - i) Operating Fund: The operating fund accounts for revenue and expenditures for the Society's program delivery and administrative activities. This fund represents unrestricted resources and restricted operating grants.
 - ii) Property and Equipment Fund: Property and equipment acquired through operating funds are recorded as expenditures in the operating fund and as additions to property and equipment and surplus in the property

and equipment fund at their original cost. Amortization is recorded in the property and equipment fund at the following annual rates:

Computer equipment	30% – declining balance
Office equipment	20% – declining balance
Software	30% – declining balance
Library	33% – declining balance

In the year of acquisition, assets are amortized at half the annual rates. In the year of disposition, no amortization is recorded.

When property or equipment no longer has any long-term service potential, the excess of its net carrying amount over any residual value is written down and recognized as an expense in the statement of operations.

iii) Restricted Funds

Litigation Fund: The Society has established this fund to ensure the completion of current cases, the terms of which extend beyond the Society's assured funding periods.

- g) Recoveries of Litigation Cost Relating to Cases: The Society's right to litigation cost recoveries is determined on an individual case basis. Recoveries are recorded at the time the determination is made and invoiced.
- h) Use of Estimates: The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on management's knowledge of current events and actions the Society may undertake in the future, actual results may differ from estimates.

3. FINANCIAL INSTRUMENTS

The Society's financial instruments consist of cash, short term investments, marketable securities, receivables and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from these financial instruments. The carrying amounts for the Society's financial instruments approximated their respective fair values at October 31, 2006.

4. SHORT TERM INVESTMENTS

Short term investments are carried at the lower of cost or market value.

Cost	2006	2005
Operating fund	\$ 378,599	\$ 137,750
Restricted funds	<u>250,000</u>	<u>250,000</u>
	<u>\$ 628,599</u>	<u>\$ 387,750</u>
Market Value	<u>\$ 628,599</u>	<u>\$ 387,750</u>

5. MARKETABLE SECURITIES

Marketable Securities are carried at the lower of cost or market value.

Cost	2006	2005
Operating fund	\$ 111,699	\$ 128,150
Restricted funds	-	-
	<u>\$ 111,699</u>	<u>\$ 128,150</u>
Market Value	<u>\$ 113,986</u>	<u>\$ 130,353</u>

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	2006 Net Book Value	2005 Net Book Value
Computer equipment	\$ 339,196	\$ 297,687	\$ 41,509	\$ 43,913
Office equipment	148,702	122,918	25,784	29,732
Software	94,638	82,435	12,203	16,552
Library	41,212	40,738	474	709
	<u>\$ 623,748</u>	<u>\$ 543,778</u>	<u>\$ 79,970</u>	<u>\$ 90,906</u>

7. LONG-TERM INVESTMENT

Long-term investment consists of 25,000 common shares of a privately held company, which were donated to the Society during the year ended October 31, 2002.

The investment has previously been written down to nil due to the uncertainty of its realizable value. The shares were sold after the year end. Please refer to Note 12.

8. DEFERRED CONTRIBUTIONS

Changes in the deferred contributions balance are as follows:

	2006	2005
Beginning balance, related to the operating fund	\$ 160,621	\$ 131,491
Less: amount recognized as revenue in the year	(92,195)	(131,491)
Add: amount received related to the following year	<u>80,512</u>	<u>160,621</u>
Ending balance, related to the operating fund	<u>\$ 148,938</u>	<u>\$ 160,621</u>

9. EXTERNALLY AND INTERNALLY RESTRICTED RESOURCES

Externally restricted financial resources are subject to restrictions imposed by the contributors and are not available for use by the Society other than for specified purposes. Internally restricted financial resources may be made available for other purposes, as the internal restrictions imposed on the financial resources may be removed at the discretion of the Society.

	Operating Fund	Property and Equipment Fund	Litigation Fund	2006 Total	2005 Total
Externally restricted	\$ -	\$ -	\$ -	\$ -	\$ -
Internally restricted	447,076	79,970	250,000	777,046	587,982
Unrestricted	125,308	-	-	125,308	79,958
	<u>\$ 572,384</u>	<u>\$ 79,970</u>	<u>\$ 250,000</u>	<u>\$ 902,354</u>	<u>\$ 667,940</u>

10. COMMITMENTS

The Society is committed to the following future minimum lease payments under operating leases for premises over the next five years of approximately the following:

2007	\$ 160,286
2008	160,286
2009	160,286
2010	160,286
2011 and subsequent years	<u>187,000</u>
	<u>\$ 828,144</u>

11. CONTINGENT LIABILITY

The Society has been named in a lawsuit brought forward by a former client for breach of contract. The outcome of this action cannot be determined at this time. Management believes that the Society has sufficient liability insurance in the event that any liability exists.

12. SUBSEQUENT EVENT

On November 20, 2006, 25,000 common shares of a privately held company, which were donated to the Society during the year ended October 31, 2002 were sold for a total proceeds of \$85,000.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.



Help win future cases

- Sign up for email updates – Hear about our work while saving us administrative costs.
- Join the Defenders Club – Giving monthly is the most effective way to support our work.
- Leave your legacy – Consider a gift to Sierra Legal in your will.

Sierra Legal is committed to the use of environmentally responsible papers. By choosing 100 percent post-consumer recycled fiber instead of virgin paper for this printed material the following savings to our natural resources will be realized this year. SOURCE: WWW.UNISOURCE.CA

Trees saved	Wood reduced (kgs)	Water reduced (litres)	Landfill reduced (kgs)	Net Greenhouse emissions (kgs)	Energy reduced (000) Btu
41	10,698	131,312	1,668	3,236	46,948



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