

Environmental Defence Canada Inc.
Financial Statements
For the year ended March 31, 2019

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Independent Auditor's Report

To the Members of
Environmental Defence Canada Inc.

Qualified Opinion

We have audited the financial statements of Environmental Defence Canada Inc. (the "Entity"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenue over expenses, and cash flows from operations for the years ended March 31, 2019 and 2018, current assets as at March 31, 2019 and 2018, and net assets as at April 1 and March 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants

Markham, Ontario
September 5, 2019

Environmental Defence Canada Inc.
Statement of Financial Position

March 31 **2019** **2018**

Assets

Current

Cash (Note 2)	\$ 1,207,808	\$ 1,346,918
Contributions receivable	176,142	96,965
HST recoverable	78,650	85,680
Prepaid expenses	52,431	54,772
	1,515,031	1,584,335

Capital assets (Note 3)

	22,597	22,476
	\$ 1,537,628	\$ 1,606,811

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 5)	\$ 214,448	\$ 194,625
Deferred contributions (Note 6)	1,066,519	1,287,655
	1,280,967	1,482,280

Net Assets

Unrestricted	156,661	94,531
Restricted - contingency reserve (Note 7)	100,000	30,000
	256,661	124,531
	\$ 1,537,628	\$ 1,606,811

On behalf of the Board:


 _____ Director
 _____ Director

Environmental Defence Canada Inc.
Statement of Operations and Changes in Net Assets

For the year ended March 31	2019	2018
Contribution revenue		
Corporations	\$ 262,191	\$ 185,665
Foundations	1,990,961	1,649,471
Governments	386,692	1,089,410
Individuals	1,050,488	958,835
Other	4,752	13,442
	<u>3,695,084</u>	<u>3,896,823</u>
Expenses		
Amortization	6,482	13,276
Bank charges and interest	20,997	20,710
Computer expenses	7,859	10,764
General and office	73,161	60,402
Insurance	10,922	9,550
Printing and stationery	7,121	3,301
Professional fees	96,321	55,883
Programme work	1,139,084	1,620,310
Rent	202,731	174,526
Telephone	17,823	17,652
Travel	7,500	4,125
Wages and employee benefits	1,972,953	1,812,157
	<u>3,562,954</u>	<u>3,802,656</u>
Excess of revenue over expenses	132,130	94,167
Unrestricted net assets, beginning of year	94,531	30,247
Net transfer from (to) contingency reserve (Note 7)	(70,000)	(29,883)
Unrestricted net assets, end of year	\$ 156,661	\$ 94,531
Restricted net assets, beginning of year	\$ 30,000	\$ 117
Transfer from (to) unrestricted fund (Note 7)	70,000	29,883
Restricted net assets, end of year	\$ 100,000	\$ 30,000

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

Environmental Defence Canada Inc.
Statement of Cash Flows

For the year ended March 31	2019	2018
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	\$ 132,130	\$ 94,167
Adjustments to reconcile excess of revenue over expenses to net cash provided by (used in) operating activities		
Amortization	6,482	13,276
Changes in non-cash working capital balances		
Contributions receivable	(79,177)	92,297
HST recoverable	7,030	(15,906)
Prepaid expenses	2,341	(19,236)
Accounts payable and accrued liabilities	19,823	(76,311)
Deferred contributions	(221,136)	770,688
	<u>(132,507)</u>	<u>858,975</u>
Investing activities		
Purchase of capital assets	(6,603)	(4,795)
Financing activities		
Decrease in bank indebtedness	-	(79,339)
Net change in cash	<u>(139,110)</u>	<u>774,841</u>
Cash, beginning of year	<u>1,346,918</u>	<u>572,077</u>
Cash, end of year	<u>\$ 1,207,808</u>	<u>\$ 1,346,918</u>

Cash is comprised of the following:

Unrestricted	\$ 227,431	\$ 66,228
Restricted for future use	890,377	1,190,690
Restricted (Note 2)	90,000	90,000
	<u>\$ 1,207,808</u>	<u>\$ 1,346,918</u>

Environmental Defence Canada Inc.

Notes to Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies

a. Nature of Organization

Environmental Defence Canada Inc. ("EDC") is incorporated without share capital and is a registered charity under the Income Tax Act (Canada) and as such, is exempt from income taxes.

EDC provides Canadians with the tools and knowledge they need to protect and improve their environment and health. EDC is a national charitable organization committed to engaging the public, finding solutions, and advancing the environmental rights of future generations. EDC's charitable status is currently being reviewed by the Canada Revenue Agency ("CRA").

EDC continues to provide documentation to the CRA to support its activities and the Board of Directors of EDC have determined that the information provided to the CRA is sufficient. The outcome of CRA's review is currently not determinable.

b. Basis of Accounting

EDC has prepared its financial statements in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

c. Financial Instruments

Financial instruments are recorded at fair value when acquired or issued and subsequently measured at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in their circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument for those measured at amortized cost.

d. Revenue Recognition

EDC follows the deferral method of accounting for contributions. Unrestricted contributions including pledges and unconditional promises to give, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to expenses of the current period are recognized as revenue of the current period.

Restricted contributions related to expenses of a future period or for the purchase of capital assets are deferred and recognized as revenue in the same period that the related expenses are reported.

Environmental Defence Canada Inc.
Notes to Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies (continued)

- e. Government Assistance** Funding from various levels of governments is recorded in the accounts when there is reasonable assurance that EDC has complied with, and will continue to comply with, all conditions necessary to obtain the assistance.
- f. Capital Assets** Capital assets are recorded at cost and are being amortized over their estimated useful lives at the following annual rates and methods:
- | | |
|------------------------|---------------------------------|
| Computer equipment | 30% declining balance |
| Office equipment | 20% declining balance |
| Leasehold improvements | Straight-line,
term of lease |
- g. Write-down of Long-lived Assets** EDC monitors its use of capital assets and when the capital asset no longer has any long-term service potential to EDC, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.
- h. Contributed Services** Volunteers contribute an indeterminable number of hours per year to assist EDC in carrying out its service delivery activities. Given the difficulty of determining their fair value, contributed services are not recognized in the financial statements.
- i. Use of Estimates** The preparation of these financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Environmental Defence Canada Inc.
Notes to Financial Statements

March 31, 2019

2. Restricted Cash

Included in cash is \$30,000 (2018 - \$30,000) internally restricted by the Board to provide for payment of unforeseen contingencies and \$60,000 (2018 - \$60,000) required by the bank as security for credit cards.

3. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 60,663	\$ 48,463	\$ 54,060	\$ 45,357
Office equipment	65,087	54,690	65,087	52,090
Leasehold improvements	39,840	39,840	39,840	39,064
	<u>\$ 165,590</u>	<u>\$ 142,993</u>	<u>\$ 158,987</u>	<u>\$ 136,511</u>
Net book value		<u>\$ 22,597</u>		<u>\$ 22,476</u>

4. Bank Facility

EDC has an operating line of credit facility to a maximum amount of \$100,000 bearing interest at the bank's prime rate plus 4%. The facility is secured by a general security agreement.

5. Government Remittances

Included in accounts payable and accrued liabilities are government remittances including payroll withholdings of \$10,730 (2018 - \$10,865).

6. Deferred Contributions

	2019	2018
Opening balance	\$ 1,287,655	\$ 516,967
Donations and government grants received during the year	2,418,707	3,695,234
Donations and government grants recognized as revenue in the year	(2,639,843)	(2,924,546)
Closing balance	<u>\$ 1,066,519</u>	<u>\$ 1,287,655</u>

Deferred contributions represent the corporate and foundation contributions as well as government grants that will be recognized as revenue in subsequent years when the related expenses are incurred.

Environmental Defence Canada Inc.
Notes to Financial Statements

March 31, 2019

6. Deferred Contributions (continued)

During the year, EDC received a total of \$191,090 (2018 - \$1,278,568) in government grants. As at March 31, 2019, the deferred amount of government grants was \$Nil (2018 - \$215,609).

7. Contingency Contributions

The contingency reserve has been set up by the Board of Directors to provide for any significant unanticipated expenditures and is internally restricted for this purpose. Net approved transfers to (from) the contingency reserve from (to) the unrestricted net assets for the year totalled \$70,000 (2018 - \$29,883).

8. Commitments

EDC has entered into a lease agreement for its premises expiring in April 2021. Minimum lease payments, exclusive of certain common costs are approximately as follows:

2020	\$	109,800
2021		110,500
2022		9,200
		<hr/>
	\$	<u>229,500</u>

9. Financial Instruments

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The EDC's financial instruments that are exposed to concentrations of credit risk relate primarily to contributions receivable.

EDC's cash is also subject to credit risk. EDC mitigates this risk by maintaining its cash with major financial institutions.

Liquidity Risks

Liquidity risk is the risk that EDC will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, EDC will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. EDC is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, and commitments.

These risks have not changed from the prior year.

Environmental Defence Canada Inc.
Notes to Financial Statements

March 31, 2019

10. Comparative Figures

Certain comparative figures presented in the financial statements have been reclassified to conform to the current year's presentation.