



Financial Statements

Ecojustice Canada Society

October 31, 2016

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# Independent Auditor's Report

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To the Members of  
Ecojustice Canada Society

We have audited the accompanying financial statements of the Ecojustice Canada Society (the "Society"), which comprise the statement of financial position as at October 31, 2016 and the statements of revenues and expenses, change in net assets and cash flows for the year the 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 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.

#### Basis for qualified opinion

In common with many not-for-profit organizations, the Society derives revenue from donations, the completeness of which is not always susceptible to satisfactory audit verification. We were not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenses, and cash flows from operating activities for the year ended October 31, 2016, current assets as at October 31, 2016, and unrestricted net assets as at October 31, 2016.

#### Qualified opinion

In our opinion, except for possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Ecojustice Canada Society as at October 31, 2016 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.

#### Report on other legal and regulatory requirements

As required by the Society Act of British Columbia, we report that, in our opinion, these accounting principles have been applied on a basis consistent with that of the preceding year.

#### Other matter

The financial statements of Ecojustice Canada Society for the year ended October 31, 2015 were audited by another auditor who expressed a qualified opinion on those financial statements on March 9, 2016.

Vancouver, Canada  
March 31, 2017



Chartered Professional Accountants

# Ecojustice Canada Society

## Statement of Revenues and Expenses

Year Ended October 31

2016

2015

Revenue		
Donations	\$ 3,531,186	\$ 3,464,751
Bequests	1,200,454	371,589
Grants (Note 5)	936,363	1,003,614
Contribution from University of Ottawa	118,499	234,000
Investment income	109,496	131,434
Cost award and recoveries and other	78,271	27,085
	<u>5,974,269</u>	<u>5,232,473</u>
Expenses		
Amortization of property and equipment	73,912	52,778
Contracts	214,095	270,759
Facilities and office	765,873	672,584
Fundraising	361,414	378,928
Human resources	110,463	158,557
Litigation and program support	186,134	199,796
Public education	171,398	148,264
Salaries and compensation	3,335,518	3,368,716
Science and research	4,438	9,955
Travel	136,398	149,994
	<u>5,359,643</u>	<u>5,410,331</u>
Excess (deficiency) of revenues over expenses before other items	614,626	(177,858)
Other items		
Loss on sale of property held-for-sale	(19,327)	-
Impairment of property held-for-sale	-	(20,000)
	<u>-</u>	<u>(20,000)</u>
Excess (deficiency) of revenue over expenses	<u>\$ 595,299</u>	<u>\$ (197,858)</u>

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**Ecojustice Canada Society**  
**Statement of Changes in Net Assets**  
Year Ended October 31, 2016

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	<u>Internally Restricted</u>	<u>Invested in Property and Equipment</u>	<u>Unrestricted</u>	<u>Total</u>
Balance, November 1, 2014	\$ 2,113,222	\$ 93,780	\$ 1,410,618	\$ 3,617,620
Transfers	250,000	-	(250,000)	-
Property and equipment purchases	-	327,291	(327,291)	-
Deficiency of revenue over expenses	<u>-</u>	<u>(52,778)</u>	<u>(145,080)</u>	<u>(197,858)</u>
Balance, October 31, 2015	2,363,222	368,293	688,247	3,419,762
Transfers	(1,000,000)	-	1,000,000	-
Property and equipment purchases	-	83,431	(83,431)	-
(Deficiency) excess of revenue over expenses	<u>-</u>	<u>(73,912)</u>	<u>669,211</u>	<u>595,299</u>
<b>Balance, October 31, 2016</b>	<b><u>\$ 1,363,222</u></b>	<b><u>\$ 377,812</u></b>	<b><u>\$ 2,274,027</u></b>	<b><u>\$ 4,015,061</u></b>

See accompanying notes to the financial statements.

# Ecojustice Canada Society

## Statement of Financial Position

Year Ended October 31

2016

2015

### Assets

#### Current

Cash and cash equivalents	\$ 18,686	\$ 46,196
Short-term investments (Note 3)	1,418,059	1,154,392
Receivables	52,852	243,539
Prepaid expenses	107,077	115,446
Property held-for-sale	-	30,000

	1,596,674	1,589,573
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Long-term investments (Note 3)	2,557,789	2,467,837
Property and equipment (Note 4)	377,812	368,293
Security deposits	78,460	-

	\$ 4,610,735	\$ 4,425,703
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### Liabilities

#### Current

Accounts payable and accrued liabilities	\$ 166,827	\$ 499,658
Deferred contributions (Note 5)	287,172	358,395

	453,999	858,053
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Deferred lease inducement	141,675	147,888
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	595,674	1,005,941
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### Net assets

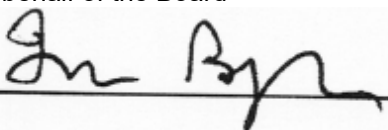
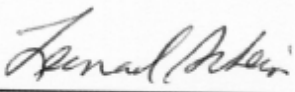
Internally restricted (Note 6)	1,363,222	2,363,222
Invested in property and equipment	377,812	368,293
Unrestricted	2,274,027	688,247

	4,015,061	3,419,762
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	\$ 4,610,735	\$ 4,425,703
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Commitments (Note 9)

On behalf of the Board

 _____ Director	 _____ Director
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# Ecojustice Canada Society

## Statement of Cash Flows

Year Ended October 31

2016

2015

Cash flows provided by (used in)

### Operating

Excess (deficiency) of revenue over expenses	\$ 595,299	\$ (197,858)
Adjustments to determine cash flows		
Loss on sale of property held-for-sale	19,327	-
Impairment of property held-for-sale	-	20,000
Unrealized gain in investments	(30,228)	-
Amortization of property and equipment	73,912	52,778

	658,310	(125,080)
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Change in non-cash working capital items

Receivables	190,687	(128,470)
Prepaid expenses	8,369	(11,730)
Security deposits	(78,460)	-
Accounts payable and accrued liabilities	(332,831)	343,413
Deferred contributions	(71,223)	20,124
Deferred lease inducement	(6,213)	147,888

	368,639	246,145
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### Investing

Purchase of property and equipment	(83,431)	(327,291)
Proceeds from sale of property held-for-sale	10,673	-
(Purchase) sale of investments	(323,391)	81,139

	(396,149)	(246,152)
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Decrease in cash and cash equivalents

	(27,510)	(7)
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Cash and cash equivalents, beginning of year

	46,196	46,203
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Cash and cash equivalents, ending of year

	\$ 18,686	\$ 46,196
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# **Ecojustice Canada Society**

## **Notes to the Financial Statements**

October 31, 2016

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### **1. Purpose of the Society**

Ecojustice Canada Society (the “Society”) is a not-for profit charitable organization that uses the law to protect and restore Canada’s environment. From coast to coast to coast, the Society’s groundbreaking lawsuits protect wilderness and wildlife, take aim at dirty energy projects and keep harmful chemicals out of the air, water and soil Canadians depend on. The Society’s lawyers represent community groups, non-profits, First Nations, and individual Canadians on the frontlines of the fight for environmental justice. The Society is a registered society under the Societies Act (British Columbia). The Society is registered with Canada Revenue Agency as a charitable organization and as such, is exempt from income taxes.

The Society has maintained its status as an accredited organization with Imagine Canada, which allows the Society to use the Standard Programs Trustmark on their communications. The goal of the Imagine Canada Standards Program is to increase the transparency of charities and nonprofits to strengthen the public confidence in individual charitable and nonprofit organizations, as well as the sector as a whole by improving the processes in five foundational areas: board governance, financial accountability and transparency, fundraising, staff management, and volunteer involvement.

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### **2. Summary of significant accounting policies**

#### **Basis of presentation**

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months at the date of acquisition.

#### **Revenue recognition**

The Society follows the deferral method of accounting for contributions. Contributions are recorded as revenue when received or receivable except when the donor has specified that they are intended for a specific use or a future period, in which case they are deferred and recognized in the period the related expenditures are incurred.

The Society recognizes investment income as earned.

The Society's right to litigation cost award and recoveries is determined on an individual case basis as determined by the Courts. Recoveries are recognized as revenue at the time the determination is made and collection is reasonably assured.

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# Ecojustice Canada Society

## Notes to the Financial Statements

October 31, 2016

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### 2. Summary of significant accounting policies (continued)

#### Donations in kind and contributed services

The Society occasionally receives donated assets. Donated assets are recorded at the estimated fair market value in cases that the fair value can be reasonably determined.

The Society benefits greatly from contributed services in the form of volunteer time for various activities. The value of contributed services is not recognized in these financial statements as their fair value cannot be reasonably determined.

#### Property and equipment

Property and equipment are recorded at the original cost amount less accumulated amortization. Amortization is provided over the estimated useful lives of the respective assets, using the following methods and rates:

Computer equipment	30%	Declining balance
Leasehold improvements	Term of lease	Straight-line
Office equipment	20%	Declining balance
Software	30%	Declining balance

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value.

#### Deferred lease inducement

Deferred lease inducements are amortized on a straight-line basis over the lease term.

#### Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the year end exchange rates. Revenues and expenditures denominated in foreign currencies are translated using the average exchange rate. Exchange gains and losses, if any, are recognized in the statement of revenues and expenses.

#### Financial instruments

Financial assets and financial liabilities are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost. Financial assets measured at amortized cost include cash and cash equivalents, short-term investments, receivables, long-term investments other than equity instruments, security deposits, and accounts payable and accrued liabilities. Financial assets measured at fair value include long-term investments in equity instruments.

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# Ecojustice Canada Society

## Notes to the Financial Statements

October 31, 2016

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### 2. Summary of significant accounting policies (continued)

#### Financial instruments (continued)

For financial assets measured at amortized cost, the Society regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Society determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of revenues and expenses. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

#### Use of estimates

The preparation of the 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

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### 3. Investments

The Society invests the majority of its financial resources in interest bearing securities with varying maturity dates. The Society has two types of investments: a long-term operating reserve that the Society intends to use in case it experiences cash flow issues and short-term investments that the Society intends to redeem for its operations as necessary.

	<u>2016</u>	<u>2015</u>
Short-term investments		
High interest savings accounts	\$ 1,038,666	\$ 724,358
Accrued interest	1,111	1,752
Term deposits	<u>378,282</u>	<u>428,282</u>
	<u>\$ 1,418,059</u>	<u>\$ 1,154,392</u>
Long-term investments		
Cash	\$ 787,779	\$ 555,107
Equities	240,609	-
GICs	<u>1,529,401</u>	<u>1,912,730</u>
	<u>\$ 2,557,789</u>	<u>\$ 2,467,837</u>

The Society holds its short-term and long-term investments with registered dealers who are members' of the Investment Industry Regulatory Organization of Canada ("IIROC"). As a result, each investment account held by the Society is insured by the Canadian Investor Protection Fund up to \$1,000,000.

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# Ecojustice Canada Society

## Notes to the Financial Statements

October 31, 2016

4. Property and equipment	<u>2016</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Computer equipment	\$ 642,246	\$ 556,562	\$ 85,684
Leasehold improvements	273,401	25,702	247,699
Office equipment	249,951	207,655	42,296
Software	116,898	114,765	2,133
	<u>\$ 1,282,496</u>	<u>\$ 904,684</u>	<u>\$ 377,812</u>
			<u>2015</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Computer equipment	\$ 592,455	\$ 519,841	\$ 72,614
Leasehold improvements	284,381	38,397	245,984
Office equipment	243,729	197,081	46,648
Software	116,898	113,851	3,047
	<u>\$ 1,237,463</u>	<u>\$ 869,170</u>	<u>\$ 368,293</u>

5. Deferred contributions	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 358,395	\$ 338,271
Contributions received during the year	965,140	1,023,738
Amount recognized as donations during the year	(100,000)	-
Amount recognized as grants during the year	(936,363)	(1,003,614)
Balance, end of year	<u>\$ 287,172</u>	<u>\$ 358,395</u>

### 6. Internally restricted net assets

The Board of Directors has internally restricted reserves to absorb or respond to temporary changes in its environment or circumstances and to ensure the Society has adequate resources to complete committed projects.

The reserve will be used for:

- Significant reduction in revenue resulting from an external event or conditions in the economy that cannot be sustainably addressed by unrestricted net assets;
- To fund ongoing case litigation in the event that the Society must cease operations;
- Unexpected increase in expenses; and
- Unexpected opportunities that require additional resources.

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# Ecojustice Canada Society

## Notes to the Financial Statements

October 31, 2016

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### 7. Financial instruments

The carrying amount of financial assets measured at amortized cost is \$3,885,237 as at October 31, 2016 (2015 - \$3,911,964).

The carrying amount of financial assets measured at fair value is \$240,609 as at October 31, 2016 (2015 - \$Nil).

The carrying amount of financial liabilities measured at amortized cost is \$166,827 as at October 31, 2016 (2015 - \$499,658).

#### *Liquidity risk*

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2015.

#### *Credit risk*

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. It is management's opinion that the Society is not exposed to significant credit risks. There has been no change to the risk exposures from 2015.

#### *Interest rate risk*

The Society is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed-rate instruments subject the Society to a fair value risk as interest rates change. The Society is exposed to this type of risk as a result of investments in government bonds. GICs are subject to interest rate risk upon reinvestment. The risk associated with investments is managed through the Society's established investment policy. There has been no change to their risk exposures from 2015.

#### *Currency risk*

The Society is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of operations, the Society receives grants and donations denominated in U.S. dollars. The Society does not currently enter into forward contracts to mitigate this risk. It is management's opinion that the Society is not exposed to significant currency risks. There has been no change to the risk exposure from 2015.

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### 8. Operating line of credit

The Society maintains an operating line of credit of \$100,000. The operating line bears interest at the bank's prime rate plus 2%. Interest is calculated monthly and payable on the last day of each month. The operating line is secured by a general security agreement against all present and after acquired property. At October 31, 2016, the amount outstanding in the operating line of credit is \$Nil (2015 - \$Nil).

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# Ecojustice Canada Society

## Notes to the Financial Statements

October 31, 2016

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### 9. Commitments

(a) The Society is committed to the following future minimum payments under operating leases for premises, donor relation and information technology services as follows:

2017	\$	418,910
2018		494,906
2019		498,761
2020		494,306
2021 and thereafter		<u>2,766,236</u>
	\$	<u>4,673,119</u>

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### 10. Disclosures required under the Societies Act

On November 28, 2016 the new British Columbia Societies Act came into force. Included in the new Act is a requirement to disclose the remuneration paid to all directors, the ten highest paid employees and all contractors who are paid at least \$75,000 annually.

During the year, the Society paid \$869,388 in remuneration to the 10 most highly remunerated employees or contractors, whose remuneration, during the applicable period, was at least \$75 000.

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### 11. Comparative figures

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

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