Financial Statements of

ECOJUSTICE CANADA SOCIETY

Year ended October 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Ecojustice Canada Society

Report on the Financial Statements

We have audited the accompanying financial statements of Ecojustice Canada Society, which comprise of the statement of financial position as at October 31, 2015, the statement of operations and changes in net assets and cash flows for the year then ended and notes, comprising 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, Ecojustice Canada Society derives revenue from donations, 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 Ecojustice Canada Society and we were not able to determine whether, as at or for the years ended October 31, 2015 and 2014, any adjustments might be necessary to donation revenues and excess (deficiency) of revenues over expenditures reported in the statements of operations and current assets and net assets reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended October 31, 2014.

Qualified Opinion

In our opinion, except for the 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 Ecojustice Canada Society as at October 31, 2015, and its results of operations and its cash flows for the year ended October 31, 2015 in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting principles in the Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis with that of the preceding year.

KPMG LLP

Chartered Professional Accountants

March 9, 2016
Vancouver, Canada

ECOJUSTICE CANADA SOCIETY

Statement of Financial Position

October 31, 2015, with comparative information for 2014

			2015	2014
	Operating fund	Property and equipment fund	Total	Total
Assets (note 11)				
Current assets:				
Cash	$ 46,196	$ -	$ 46,196	$ 46,203
Short-term investments (note 3)	1,154,392	-	1,154,392	1,538,638
GST recoverable	55,078	-	55,078	26,967
Receivables (note 4)	188,461	-	188,461	88,102
Prepaid expenses	115,446	-	115,446	103,716
Property held-for-sale (note 6)	30,000	-	30,000	50,000
Current portion of long-term investments (note 3)	395,701	-	395,701	265,616
	1,985,274	-	1,985,274	2,119,242
Long-term investments (note 3)	2,072,136	-	2,072,136	1,899,114
Property and equipment, net (note 5)	-	368,293	368,293	93,780
	$ 4,057,410	$ 368,293	$ 4,425,703	$ 4,112,136
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	$ 499,658	$ -	$ 499,658	$ 156,245
Deferred contributions (note 7)	358,395	-	358,395	338,271
Deferred lease inducement	147,888	-	147,888	-
	1,005,941	-	1,005,941	494,516
Net assets (note 8)	3,051,469	368,293	3,419,762	3,617,620
Commitments (note 12)				
	$ 4,057,410	$ 368,293	$ 4,425,703	$ 4,112,136

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

ECOJUSTICE CANADA SOCIETY

Statement of Operations and Changes in Net Assets

Year ended October 31, 2015, with comparative information for 2014

			2015	2014
	Operating fund	Property and equipment fund	Total	Total
Revenues:				
Cost award and recoveries	$ 27,085	$ -	$ 27,085	$ 97,072
Cost recoveries:				
University of Ottawa law clinic (note 12)	234,000	-	234,000	252,693
Donations (note 9):				
Other donations and bequests	1,965,250	-	1,965,250	2,498,120
Public appeals	1,871,090	-	1,871,090	1,927,460
Grants (note 9)	1,003,614	-	1,003,614	988,129
Investment income	131,434	-	131,434	78,019
	5,232,473	-	5,232,473	5,841,493
Expenditures:				
Amortization	-	52,778	52,778	41,871
Facilities and office	672,584	-	672,584	620,636
Fundraising	378,928	-	378,928	375,397
Human resources	210,207	-	210,207	132,483
Litigation and program support	148,146	-	148,146	148,086
Public education	148,264	-	148,264	136,706
Salaries and compensation	3,639,475	-	3,639,475	3,337,621
Science and research	9,955	-	9,955	63,463
Travel	149,994	-	149,994	79,948
	5,357,553	52,778	5,410,331	4,936,211
Impairment on property held-for-sale (note 6)	20,000	-	20,000	-
Excess (deficiency) of revenues over expenditures	(145,080)	(52,778)	(197,858)	905,282
Net assets, beginning of year	3,523,840	93,780	3,617,620	2,712,338
Property and equipment transfer between funds	(327,291)	327,291	-	-
Net assets, end of year (note 8)	$ 3,051,469	$ 368,293	$ 3,419,762	$ 3,617,620

See accompanying notes to financial statements.

ECOJUSTICE CANADA SOCIETY

Statement of Cash Flows

Year ended October 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenues over expenditures:		
Operating Fund	$ (145,080)	$ 947,153
Property and Equipment Fund	(52,778)	(41,871)
	(197,858)	905,282
Items not involving cash:		
Impairment of property held-for-sale	20,000	-
Property and Equipment Fund:		
Amortization	52,778	41,871
	(125,080)	947,153
Changes in non-cash operating working capital:		
Operating Fund:		
Decrease (increase) in GST recoverable	(28,111)	(6,238)
Decrease (increase) in receivables	(100,359)	(29,588)
Increase in prepaid expenses	(11,730)	(8,061)
Increase (decrease) in accounts payable and accrued liabilities	343,413	32,985
Increase (decrease) in deferred contributions	20,124	134,828
Increase (decrease) in deferred lease inducement	147,888	-
Net cash flows from operating activities	246,145	1,071,079
Investing:		
Property and Equipment Fund:		
Purchase of property and equipment	(327,291)	(21,502)
Operating Fund:		
Purchase of investments	(694,095)	(1,624,096)
Proceeds from investments	775,234	547,451
Net cash flows from investing activities	(246,152)	(1,098,147)
Decrease in cash	(7)	(27,068)
Cash, beginning of year	46,203	73,271
Cash, end of year	$ 46,196	$ 46,203

See accompanying notes to financial statements.

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 dirtry 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 was incorporated under the Society Act (British Columbia) in 1990. The Society is registered with Canada Revenue Agency as a charitable organization and as such, is exempt from inform 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 non-profits 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.

2. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations. The significant accounting policies are as follows:

(a) Fund accounting:

The Society reports its revenues and expenditures segregated on the basis of restrictions on use but does not physically segregate its assets on the basis of restrictions on use.

The Society follows fund accounting, giving recognition to restrictions on the use of resources specified by donors. The fund classifications are as follows:

(*i*) Operating Fund:

Donations not specifically designated by donors, cost award and recoveries, and investment income are recognized as revenue of the Operating Fund in the year when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Administrative costs pertaining to the Society are funded through the Operating Fund.

Restricted contributions received for specific projects related to general operations are recognized as revenue of the Operating Fund in accordance with the terms of each grant. Amounts received in advance for future expenditures after the fiscal year-end are deferred and recognized as revenue in future periods.

The Board has a policy to internally restrict funds based on a percentage of the prior year’s operating expenditures to ensure the Society has sufficient resources for the current year’s operations. Internally restricted financial resources may be made available subject to Board approval.

2. Significant accounting policies (continued):

(a) Fund accounting (continued):

(*ii*) Property and Equipment Fund:

Property and equipment acquired through operating funds are recorded as transfers from the Operating Fund to the Property and Equipment Fund at their original cost.

(b) Revenue recognition:

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 of the Operating Fund at the time the determination is made and collection is reasonably assured.

The Society follows the restricted fund method of accounting for donation and grant contributions.

(*i*) Unrestricted donation and grant contributions are recognized as revenue to the operating fund in the current period.

(*ii*) When the Society has externally restricted donation and grant contributions not related to general operations they are recognized as revenue to the corresponding restricted fund in the current period.

The Society recognizes net investment income in the operating fund.

(c) Donations and bequests in kind and contributed services:

(*i*) 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.

(*ii*) 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.

(d) Deferred contributions:

Where a donation or grant received relates to an expenditure to be incurred in a future period, the donation or grant is deferred and recognized in the future period in which the expenditure is incurred.

2. Significant accounting policies (continued):

(e) Cash:

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

(f) Investments:

Short-term investments are comprised of government bonds, term deposits and high interest savings account that readily convertible to cash. These items are carried at fair value at the date of the statement of financial position and have a maturity period of less than one year.

Long-term investments are comprised of government bonds and term deposits convertible to cash. These items are carried at fair value at the date of the statement of financial position and have a maturity period greater than one year.

Short-term and long-term investments are comprised of the following investments:

(*i*) Government bonds:

The face value of these investments is guaranteed at maturity by the respective issuing government bodies.

(*ii*) Interest bearing securities:

Interest bearing securities consist of high interest savings accounts.

(*iii*) Term deposits:

Term deposits represent guaranteed investment certificates ("GICs") which are insured by the Canadian Deposit Insurance Corporation which are federally guaranteed.

(g) Property held-for-sale:

Property held-for-sale which was donated in the prior year is carried at the lower of cost and estimated net realizable value.

(h) 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:

Asset	Basis	Rate
Computer equipment	Declining balance	30%
Leasehold improvements	Straight-line	3 - 5 years
Library	Declining balance	33%
Office equipment	Declining balance	20%
Software	Declining balance	30%

2. Significant accounting policies (continued):

(h) Property and equipment (continued):

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.

(i) Foreign currency translation:

Monetary items denominated in a foreign currency and non-monetary items carried at market are adjusted at the balance sheet date to reflect the exchange rate in effect at that date.

Amounts recorded in a foreign currency have been translated into Canadian dollars as follows:

(*i*) Monetary items at the exchange rate at the statement of financial position date;

(*ii*) Non-monetary items, including depreciation thereon, at historical exchange rates;

(*iii*) Revenue and expenditures items at the average exchange rates; and

(*iv*) Exchange gains and losses are included in the determination of excess (deficiency) of revenues over expenditures for the period.

(j) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and 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, unless management has elected to carry the instruments at fair value. The Society has elected to carry all other financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

2. Significant accounting policies (continued):

(k) 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. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, property held-for-sale, and and valuation of receivables. Actual results could differ from those estimates.

(l) Comparative information:

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

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.

	2015	2014
Short-term investments:		
GIC's	$ -	$ -
High interest savings accounts	724,358	805,834
Accrued interest	1,752	4,522
Term deposits	428,282	728,282
	$ 1,154,392	$ 1,538,638

		2015	2014
Long-term investments:			
Cash and cash equivalents		$ 555,107	$ 20,582
GIC's Maturity	2015	-	265,616
	2016	395,701	408,507
	2017	490,185	490,199
	2018	185,438	185,442
	2022	628,055	600,051
	2023	213,351	194,333
		2,467,837	2,164,730
Less amounts maturing in the current year		395,701	265,616
		$ 2,072,136	$ 1,899,114

3. Investments (continued):

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.

4. Receivables:

	2015	2014
Accounts receivable	$ 210,148	$ 92,163
Allowance for impairment	(21,687)	(4,061)
Balance, end of year	$ 188,461	$ 88,102

5. Property and equipment:

2015	Cost	Accumulated amortization	Net book value
Computer equipment	$ 592,455	$ 519,841	$ 72,614
Leasehold improvements	284,381	38,397	245,984
Library	41,212	41,212	-
Office equipment	243,729	197,081	46,648
Software	116,898	113,851	3,047
	$ 1,278,675	$ 910,382	$ 368,293

2014	Cost	Accumulated amortization	Net book value
Computer equipment	$ 545,814	$ 488,720	$ 57,094
Leasehold improvements	38,398	29,708	8,690
Library	41,212	41,212	-
Office equipment	210,614	185,419	25,195
Software	115,346	112,545	2,801
	$ 951,384	$ 857,604	$ 93,780

5. Property and equipment (continued):

Changes in net asset invested in property and equipment are as follows:

		2015		2014
Balance, beginning of year	$	93,780	$	114,149
Amortization		(52,778)		(41,871)
Purchases		327,291		21,502
Balance, end of year	$	368,293	$	93,780

6. Impairment of property held-for-sale:

During the year, the Society recognized an impairment loss of $20,000 (2014 - nil) on the property held-for-sale due to a decrease in estimated fair value.

7. Deferred contributions:

		2015		2014
Balance, beginning of year	$	338,271	$	203,443
Contributions received during the year		1,023,738		1,122,957
Amount recognized as revenue during the year		(1,003,614)		(988,129)
Balance, end of year	$	358,395	$	338,271

8. Net assets:

	Internally Restricted				Total
	Internal	Property and equipment	Total restricted	Unrestricted	Total Net assets
Opening balance November 1, 2013	$ 1,863,222	$ 114,149	$ 1,977,371	$ 734,967	$ 2,712,338
Transfer to internally restricted	250,000	-	250,000	(250,000)	-
Property and equipment fund purchases	-	21,502	21,502	(21,502)	-
Property and equipment fund amortization	-	(41,871)	(41,871)	41,871	-
Excess of revenues over expenditures	-	-	-	905,282	905,282
Ending balance October 31, 2014	2,113,222	93,780	2,207,002	1,410,618	3,617,620
Transfer to internally restricted	250,000	-	250,000	(250,000)	-
Property and equipment fund purchases	-	327,291	327,291	(327,291)	-
Property and equipment fund amortization	-	(52,778)	(52,778)	52,778	-
Deficiency of revenues over expenditures	-	-	-	(197,858)	(197,858)
Ending balance October 31, 2015	$ 2,363,222	$ 368,293	$ 2,731,515	$ 688,247	$ 3,419,762

The Society's objectives when managing its net assets are:

(a) To safeguard the Society's ability to continue as a going concern;

(b) To ensure that it has adequate resources to complete committed projects; and

(c) To maintain investment risk at an appropriate level.

These objectives are accomplished through adherence to a Board adopted investment policy and maintenance of suitable reserves.

9. Grants and donations:

Included in grants revenues is USD$264,446 (CAD$308,354) (2014 - USD$354,891 (CAD$380,182)).

Included in donations revenues is USD$112,837 (CAD$145,284) (2014 - USD$110,948 (CAD$120,865)).

10. Financial risks:

The Society is subject to the following risks:

(a) 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 2014.

(b) 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 2014.

(c) 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 2014.

(d) 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 2014.

11. 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, 2015, the amount outstanding in the operating line of credit is nil (2014 - nil).

12. 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:

2016	$	214,000
2017		202,000
2018		180,000
2019		185,000
2020 and thereafter		1,124,000
	$	1,905,000

(b) In 2012 the Society reached an agreement with the University of Ottawa ("U of O") Faculty of Law and Faculty of Science to operate an environmental law and policy clinic on the U of O campus. Under the terms of the agreement, the Society operates the clinic and recovers a majority of related costs from the U of O. The Faculty of Law committed to contributing a minimum of $200,000 during 2015 to the Society to be used for the sole purpose of operating the clinic. The contract ended October 31, 2015. The Society has continued funding on a non-contractual basis.

During the year, the Society contributed $367,704 (2014 - $408,647) towards the operation of the clinic.

During the year, the Society received $234,000 (2014 - $252,693) from U of O in accordance with the agreement.