



Financial Statements

Ecojustice Canada Society

October 31, 2017

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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 Ecojustice Canada Society, which comprise the statement of financial position as at October 31, 2017, and the statements of revenues and expenses, changes in net assets, and cash flows for the year then 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 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 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 organization'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 organization'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 charitable organizations, Ecojustice Canada Society derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly our verification of these revenues was limited to the amounts recorded in the records of Ecojustice Canada Society and we were not able to determine whether any adjustments might be necessary to donation revenues, excess of revenues over expenses, and cash flows from operations for the years ended October 31, 2017 and October 31, 2016, current assets as at October 31, 2017 and October 31, 2016 and net assets as at November 1, 2016 and 2015 and October 31, 2017 and 2016. Our audit opinion on the financial statements for the year ended October 31, 2016 was modified accordingly, because of the possible effects of this scope limitation.

Qualified opinion

Except as noted in the above paragraph, in our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at October 31, 2017 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 Societies 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.

Vancouver, Canada
April 3, 2018



Chartered Professional Accountants

Ecojustice Canada Society

Statement of Revenues and Expenses

Year ended October 31

2017

2016

| | | |
|---|-------------------|-------------------|
| Revenue | | |
| Donations | \$ 4,128,957 | \$ 3,531,186 |
| Grants | 1,119,056 | 936,363 |
| Bequests | 821,587 | 1,200,454 |
| Contribution from University of Ottawa | 166,500 | 118,499 |
| Investment income | 91,007 | 109,496 |
| Cost award and recoveries and other | 77,816 | 78,271 |
| | <u>6,404,923</u> | <u>5,974,269</u> |
| Expenses | | |
| Amortization of property and equipment | 113,080 | 73,912 |
| Contracts | 297,830 | 214,095 |
| Facilities and office | 822,348 | 765,873 |
| Fundraising | 370,294 | 361,414 |
| Human resources | 121,748 | 110,463 |
| Litigation and program support | 186,467 | 186,134 |
| Public education | 129,845 | 171,398 |
| Salaries and compensation | 3,550,727 | 3,335,518 |
| Science and research | 2,637 | 4,438 |
| Travel | 101,005 | 136,398 |
| | <u>5,695,981</u> | <u>5,359,643</u> |
| Excess of revenue over expenses before loss on sale of property held-for-sale | 708,942 | 614,626 |
| Loss on sale of property held-for-sale | - | (19,327) |
| Excess of revenue over expenses | <u>\$ 708,942</u> | <u>\$ 595,299</u> |

Ecojustice Canada Society

Statement of Changes in Net Assets

Year ended October 31

| | Internally Restricted | Invested in Property and Equipment | Unrestricted | Total 2017 | Total 2016 |
|---|----------------------------|--|----------------------------|----------------------------|----------------------------|
| Balance, beginning of year | \$ 1,363,222 | \$ 377,812 | \$ 2,274,027 | \$ 4,015,061 | \$ 3,419,762 |
| Excess (deficiency) of revenue over expenses | - | (113,080) | 822,022 | 708,942 | 595,299 |
| Property and equipment purchases | - | 731,365 | (731,365) | - | - |
| Transfer | <u>(113,000)</u> | <u>-</u> | <u>113,000</u> | <u>-</u> | <u>-</u> |
| Balance, end of year | <u>\$ 1,250,222</u> | <u>\$ 996,097</u> | <u>\$ 2,477,684</u> | <u>\$ 4,724,003</u> | <u>\$ 4,015,061</u> |

Ecojustice Canada Society

Statement of Financial Position

October 31

2017

2016

Assets

Current

| | | |
|---------------------------------|----------------------------|----------------------------|
| Cash and cash equivalents | \$ 158,159 | \$ 18,686 |
| Short-term investments (Note 3) | 1,769,632 | 1,418,059 |
| Receivables | 232,255 | 52,852 |
| Prepaid expenses | <u>81,519</u> | <u>107,077</u> |
| | 2,241,565 | 1,596,674 |
| Long-term investments (Note 3) | 2,312,883 | 2,557,789 |
| Property and equipment (Note 4) | 996,097 | 377,812 |
| Security deposits | <u>78,460</u> | <u>78,460</u> |
| | <u>\$ 5,629,005</u> | <u>\$ 4,610,735</u> |

Liabilities

Current

| | | |
|---|----------------------------|----------------------------|
| Accounts payable and accrued liabilities (Note 8) | \$ 188,275 | \$ 166,827 |
| Deferred contributions (Note 5) | <u>336,541</u> | <u>287,172</u> |
| | 524,816 | 453,999 |
| Deferred lease inducement | <u>380,186</u> | <u>141,675</u> |
| | <u>905,002</u> | <u>595,674</u> |
| Net assets | | |
| Internally restricted (Note 6) | 1,250,222 | 1,363,222 |
| Invested in property and equipment | 996,097 | 377,812 |
| Unrestricted | <u>2,477,684</u> | <u>2,274,027</u> |
| | <u>4,724,003</u> | <u>4,015,061</u> |
| | <u>\$ 5,629,005</u> | <u>\$ 4,610,735</u> |

Commitments (Note 10)

On behalf of the board

 Director
  Director

Ecojustice Canada Society

Statement of Cash Flows

Year ended October 31

2017

2016

Increase (decrease) in cash and cash equivalents

Operating

| | | |
|--|----------------|-----------------|
| Excess of revenue over expenses | \$ 708,942 | \$ 595,299 |
| Items not affecting cash | | |
| Amortization of property and equipment | 113,080 | 73,912 |
| Loss on sale of property held-for-sale | - | 19,327 |
| Unrealized gain on investments | <u>(8,466)</u> | <u>(30,228)</u> |
| | 813,556 | 658,310 |
| Change in non-cash operating working capital | | |
| Receivables | (179,403) | 190,687 |
| Prepaid expenses | 25,558 | 8,369 |
| Accounts payable and accrued liabilities | 21,448 | (332,831) |
| Deferred contributions | 49,369 | (71,223) |
| Security deposits | - | (78,460) |
| Deferred lease inducement | <u>238,511</u> | <u>(6,213)</u> |
| | 969,039 | 368,639 |

Investing

| | | |
|--|------------------|---------------|
| Purchase of investments | (98,201) | (323,391) |
| Purchase of property and equipment | (731,365) | (83,431) |
| Proceeds from sale of property held-for-sale | <u>-</u> | <u>10,673</u> |
| | (829,566) | (396,149) |

Increase (decrease) in cash and cash equivalents

139,473 (27,510)

Cash and cash equivalents

| | | |
|-------------------|-------------------|------------------|
| Beginning of year | <u>18,686</u> | <u>46,196</u> |
| End of year | \$ 158,159 | \$ 18,686 |

Ecojustice Canada Society

Notes to the Financial Statements

October 31, 2017

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.

2. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared 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.

Ecojustice Canada Society

Notes to the Financial Statements

October 31, 2017

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:

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

Ecojustice Canada Society

Notes to the Financial Statements

October 31, 2017

2. Summary of significant accounting policies (continued)

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.

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.

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>2017</u> | <u>2016</u> |
|--------------------------------|---------------------|---------------------|
| High interest savings accounts | \$ 867,998 | \$ 1,038,666 |
| Accrued interest | 1,634 | 1,111 |
| Term deposits | <u>900,000</u> | <u>378,282</u> |
| Total short-term investments | <u>1,769,632</u> | <u>1,418,059</u> |
| Cash | 15,699 | 787,779 |
| Equities | 560,502 | 240,609 |
| GICs | <u>1,736,682</u> | <u>1,529,401</u> |
| Total long-term investments | <u>\$ 2,312,883</u> | <u>\$ 2,557,789</u> |

Ecojustice Canada Society

Notes to the Financial Statements

October 31, 2017

4. Property and equipment

| | | | <u>2017</u> | <u>2016</u> |
|------------------------|---------------------|-------------------------------------|---------------------------|---------------------------|
| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net Book Value</u> | <u>Net Book Value</u> |
| Leasehold improvements | \$ 893,139 | \$ 79,663 | \$ 813,476 | \$ 247,699 |
| Office equipment | 341,681 | 234,461 | 107,220 | 42,296 |
| Computer equipment | 662,144 | 588,236 | 73,908 | 85,684 |
| Software | 116,899 | 115,406 | 1,493 | 2,133 |
| | <u>\$ 2,013,863</u> | <u>\$ 1,017,766</u> | <u>\$ 996,097</u> | <u>\$ 377,812</u> |

5. Deferred contributions

| | <u>2017</u> | <u>2016</u> |
|--|--------------------|-------------------|
| Balance, beginning of year | \$ 287,172 | \$ 358,395 |
| Contributions received during the year | 1,331,450 | 965,140 |
| Amount recognized as donations during the year | (163,025) | (100,000) |
| Amount recognized as grants during the year | <u>(1,119,056)</u> | <u>(936,363)</u> |
| | <u>\$ 336,541</u> | <u>\$ 287,172</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.
-

Ecojustice Canada Society

Notes to the Financial Statements

October 31, 2017

7. Financial instruments

Fair values

The carrying amounts of financial assets measured at amortized cost are \$3,990,887 as at October 31, 2017 (2016 - \$3,885,237).

The carrying amounts of financial assets measured at fair value are \$560,502 as at October 31, 2017 (2016 - \$240,609).

The carrying amounts of financial liabilities measured at amortized cost are \$188,275 as at October 31, 2017 (2016 - \$166,827).

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 2016.

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 2016.

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 2016.

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 2016.

8. Accounts payable and accrued liabilities

Included in accounts payable are government remittances of \$33,586 (2016 - \$Nil).

Ecojustice Canada Society

Notes to the Financial Statements

October 31, 2017

9. 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, 2017, the amount outstanding in the operating line of credit is \$Nil (2016 - \$Nil).

10. Commitments

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

| | | |
|------------------|----|------------------|
| 2018 | \$ | 273,502 |
| 2019 | | 279,246 |
| 2020 | | 291,859 |
| 2021 | | 295,794 |
| 2022 | | 298,591 |
| Subsequent years | | <u>1,149,740</u> |
| | \$ | <u>2,588,732</u> |

On November 6, 2017 the Society reached an agreement with the University of Ottawa Faculty of Law and Faculty of Science to continue to operate an environmental law and policy clinic on the campus to October 31, 2020. Based on the agreement, the University of Ottawa Faculty of Law will make in-kind contributions in the form of a professor of law, valued at \$307,000. The University will also contribute \$100,000 annually over the term of the agreement. Ecojustice is committed to contribute at minimum the following amounts:

| | | |
|------|----|----------------|
| 2018 | \$ | 185,000 |
| 2019 | | 185,000 |
| 2020 | | <u>185,000</u> |
| | \$ | <u>555,000</u> |

11. Disclosure 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 contractors who are paid at least \$75,000 annually.

During the year, the Society paid \$648,383 in remuneration to seven employees or contractors, whose remuneration during the applicable period was at least \$75,000.
