

**ETC GROUP:  
ACTION GROUP ON EROSION,  
TECHNOLOGY AND CONCENTRATION**

FINANCIAL STATEMENTS

AUGUST 31, 2014

**ETC GROUP:  
ACTION GROUP ON EROSION,  
TECHNOLOGY AND CONCENTRATION**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Directors of  
ETC Group: action group on erosion, technology and concentration

We have audited the accompanying financial statements of ETC Group: action group on erosion, technology and concentration, which comprise the statement of financial position as at August 31, 2014, and the statements of operations, 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 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.

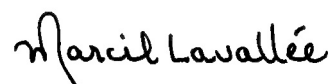
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

*Basis for Qualified Opinion*

In common with many registered charities, the Organization derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our audit of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue from donations, deficiency of revenue over expenses, and cash flows from operations for the years ended August 31, 2014 and 2013, current assets as at August 31, 2014 and 2013, and net assets as at August 31, 2014, August 31, 2013 and September 1, 2012. Our audit opinion on the financial statements for the year ended August 31, 2013 was modified accordingly because of the possible effects of this limitation in scope.

*Qualified Opinion*

In our opinion, except for the 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 ETC Group: action group on erosion, technology and concentration as at August 31, 2014, 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.



Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario  
December 11, 2014

# ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED AUGUST 31, 2014

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	2014	2013
<b>REVENUE</b> (Schedule A)	<b>\$ 867,606</b>	<b>\$ 705,066</b>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	530,577	499,320
Travel	51,414	61,151
Rent	39,135	37,929
Consulting fees	34,585	34,892
Telecommunications	24,991	23,224
Meetings	24,949	11,619
Office	20,879	23,766
Books, printing and distribution	20,050	11,521
Website management	4,969	7,240
Insurance	4,495	5,075
Maintenance and repairs	1,731	2,080
Foreign exchange gain	(4,201)	(9,078)
Professional fees	9,619	7,884
Interest and service charges	4,090	4,234
Amortization of capital assets	4,013	5,287
Allocation of common costs (Note 3)	(152,418)	(27,440)
	<b>618,878</b>	<b>698,704</b>
<b>PROJECT EXPENSES</b> (Schedule B)	<b>253,455</b>	<b>100,685</b>
	<b>872,333</b>	<b>799,389</b>
<b>DEFICIENCY OF REVENUE OVER EXPENSES</b>	<b>\$ (4,727)</b>	<b>\$ (94,323)</b>

# ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

## STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2014

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	Unrestricted	Six-month Operating Reserve	2014 Total	2013 Total
<b>BALANCE, BEGINNING OF YEAR</b>	\$ -	\$ 212,301	\$ 212,301	\$ 306,624
Deficiency of revenue over expenses	(4,727)	-	(4,727)	(94,323)
Interfund transfer	4,727	(4,727)	-	-
<b>BALANCE, END OF YEAR</b>	\$ -	\$ 207,574	\$ 207,574	\$ 212,301

# ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

## STATEMENT OF FINANCIAL POSITION

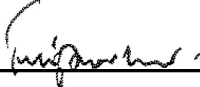
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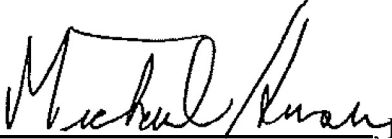
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	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 46,609	\$ 159,564
Short-term investment, 0.90%, maturing October 27, 2014	956	50,502
Funding receivable (Note 4)	157,296	88,424
Contribution receivable	86,621	-
Other receivable (Note 5)	16,489	26,641
	307,971	325,131
<b>CAPITAL ASSETS (Note 6)</b>	<b>8,037</b>	<b>12,050</b>
	<b>\$ 316,008</b>	<b>\$ 337,181</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 11,225	\$ 10,605
Deferred revenue (Note 8)	97,209	114,275
	108,434	124,880
<b>NET ASSETS</b>		
Unrestricted	-	-
Internal restriction (Note 9)		
Six-month Operating Reserve	207,574	212,301
	207,574	212,301
	<b>\$ 316,008</b>	<b>\$ 337,181</b>

*Contingencies* (Note 12)

ON BEHALF OF THE BOARD

  
\_\_\_\_\_, Director

  
\_\_\_\_\_, Director

# ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2014

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	2014	2013
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenue over expenses	\$ (4,727)	\$ (94,323)
<b>Adjustment for:</b>		
Amortization of capital assets	4,013	5,287
	(714)	(89,036)
Net change in non-cash working capital items (Note 10)	(161,787)	129,494
	(162,501)	40,458
<b>INVESTING ACTIVITY</b>		
Acquisition of capital assets	-	(3,039)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(162,501)</b>	<b>37,419</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>210,066</b>	<b>172,647</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 47,565</b>	<b>\$ 210,066</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash	\$ 46,609	\$ 159,564
Short-term investments	956	50,502
	\$ 47,565	\$ 210,066



# **ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION**

## **NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2014**

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### **1. STATUTE AND NATURE OF OPERATIONS**

ETC Group: action on erosion, technology and concentration is a registered charity incorporated without share capital under the Canada Not-for-profit Corporations Act. The Organization is exempt from income tax.

ETC Group is dedicated to the conservation and sustainable advancement of cultural and ecological diversity and human rights. To this end, ETC Group supports socially responsible developments of technologies useful to the poor and marginalized and it addresses international governance issues and corporate power.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

The Organization applies Canadian accounting standards for not-for-profit organizations (ASNFPO) in Part III of the CPA Canada Handbook – Accounting.

#### **Use of estimates**

The preparation of financial statements in compliance with the ASNFPO 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 period. Actual amounts could differ from these estimates.

#### **Revenue recognition**

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other revenues, excluding donations, are recognized in the year received or receivable if the amount to be received can be reasonably estimated and collection is assured.

Donation revenues are recognized when received.

#### **Allocation of common costs**

The Organization allocates a portion of its salaries and benefits as well as operating costs according to the budget approved in the contribution agreement, which is established depending on the actual needs of the Organization for each project.

# ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Foreign currency transactions

The Organization uses the temporal method to translate its foreign currency transactions.

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Items appearing in the current year's statement of operations, except for the cost of depreciation translated at historic rate, are translated at average year rates. Exchange gain and loss are included in the statement of operations.

#### Contributed services

The Organization would not be able to carry out its activities without the services of volunteers who donate a considerable number of hours. Because of the inherent difficulty in compiling these hours and determining their fair value, contributed services are not recognized in the financial statements.

#### Capital assets

Capital assets are accounted for at cost. Amortization is calculated on their respective estimated useful life using the diminishing balance method at the following annual rates:

Computer equipment	33.3%
Furniture and fixtures	33.3%

#### Financial instruments

##### *Measurement of financial instruments*

The Organization initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at amortized cost include cash, funding receivable, contribution receivable and other receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at fair value include short-term investments.

# ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### *Impairment*

Financial assets measured at cost are tested for impairment when there are indicators of possible impairment. The Organization determines whether a significant adverse change has occurred in the expected timing or amount of future cash flows from the financial asset. If this is the case, the carrying amount of the asset is reduced directly to the higher of the present value of the cash flows expected to be generated by holding the asset, and the amount that could be realized by selling the asset at the balance sheet date. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

##### *Transaction costs*

The Organization recognizes its transaction costs in operations in the period incurred. However, transaction costs related to financial instruments subsequently measured at amortized cost reduce the carrying amount of the financial asset or liability and are accounted for in the statement of earnings using the straight-line method.

#### Cash and cash equivalents

The Organization's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and short-term investments with a maturity period of three months or less from the date of acquisition.

### 3. ALLOCATION OF COMMON COSTS

A portion of salaries and benefits as well as operating costs, totalling \$152,418 (2013: \$27,440), are allocated to the projects as follows:

	Salaries and benefits		Operating costs	
	2014	2013	2014	2013
Oxfam Novib SD=HS	\$ 81,189	\$ -	\$ 5,432	\$ -
Syn-Energene	44,000	-	-	-
New Venture Fund (IFAAES)	19,645	17,640	2,152	-
CS Fund - Project/Staff in Africa	-	9,800	-	-
	\$ 144,834	\$ 27,440	\$ 7,584	\$ -

# ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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### 4. FUNDING RECEIVABLE

	2014	2013
Friends of Action Group on Erosion, Technology and Concentration Inc.	\$ 157,296	\$ 88,424

Friends of Action Group on Erosion, Technology and Concentration Inc. is a public charity registered in the United States with 501c(3) status. This organization receives donations from USA supporters of ETC Group's work. Funding is provided pursuant to contracts for specified research, education and advisory work.

### 5. OTHER RECEIVABLE

	2014	2013
Harmonized Sales Tax receivable	\$ 7,816	\$ 8,110
Other	8,673	18,531
	\$ 16,489	\$ 26,641

### 6. CAPITAL ASSETS

	Cost	Accumulated amortization	2014	2013
Computer equipment	\$ 54,454	\$ 47,129	\$ 7,325	\$ 10,982
Furniture and fixtures	30,641	29,929	712	1,068
	\$ 85,095	\$ 77,058	\$ 8,037	\$ 12,050

### 7. LINE OF CREDIT

The Organization has an authorized line of credit of \$50,000, renewable annually, at prime lending rate plus 2.73%. This line of credit is secured by a general security agreement and is unused at year-end.

# ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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### 8. DEFERRED REVENUE

Changes in deferred revenue during the year is as follows:

	2014	2013
Balance, beginning of year	\$ 114,275	\$ 141,007
Less: Amount recognized as revenue during the year	(814,016)	(644,773)
Plus: Amount received during the year	796,950	618,041
Balance, end of year	\$ 97,209	\$ 114,275

The details of deferred revenue is as follows:

	2014	2013
CS Fund - Core funding	\$ 75,750	\$ 85,750
CS Fund - Project/Staff in Africa	21,459	25,883
New Venture Fund (IFAAES)	-	2,642
	\$ 97,209	\$ 114,275

### 9. INTERNAL RESTRICTIONS

The Organization maintains one internally restricted fund. The internally restricted fund is called the Six-month Operating Reserve. During the year, an amount of \$4,727 was transferred from the Six-month Operating Reserve to the Unrestricted Fund.

### 10. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2014	2013
Funding receivable	\$ (68,872)	\$ (8,999)
Contribution receivable	(86,621)	-
Other receivable	10,152	168,951
Prepaid expenses	-	3,343
Accounts payable and accrued liabilities	620	(7,069)
Deferred revenue	(17,066)	(26,732)
	\$ (161,787)	\$ 129,494

# **ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION**

## **NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2014**

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### **11. 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 Organization's main credit risks relate to its accounts receivable. The Organization provides credit to its clients in the normal course of its operations.

Also, the Organization continuously reviews the financial situation of its clients and examines the credit history of all new clients. The Organization establishes allowances for doubtful accounts while keeping in mind the specific credit risk of clients, their historic tendencies and economic situation. Approximately 96% of the total trade accounts is to be received from one entity. The Organization considers that no risk arises from that situation.

#### **Currency risk**

The Organization realizes some of its transactions in US dollars. Consequently, it is exposed to fluctuations of this currency. As at August 31, 2014, assets include funding receivable of \$157,296 (2013: \$88,424) and a cash balance of \$19,526 (2013: \$49,769) in US dollars, which have been converted into Canadian dollars.

### **12. CONTINGENCIES**

#### **Other indemnification agreements**

In the normal course of operations, the Organization signs agreements whereby funds are provided for the execution of projects which are subject to restrictions as to the use of the funds. The sponsors of these projects can execute an audit of the Organization's financial records to ensure compliance with the project requirements. In the event that amounts to be reimbursed to the sponsor of a project are identified, the necessary adjustments will be recognized in the year they are identified.

# ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

## ADDITIONAL INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2014

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	2014	2013
<b>SCHEDULE A - REVENUE</b>		
Lillian Goldman Charitable Trust	\$ 220,000	\$ 196,000
CS Fund		
Core funding	164,000	149,450
Project/Travel support	24,200	-
Project/Staff in Africa	42,376	16,393
Project/Seeds	-	59,263
Oxfam Novib	151,988	129,630
Oxfam Novib SD=HS	86,621	-
Syn-Energene	69,078	-
Other (including donations of \$9,632; 2013: \$22,003)	47,739	57,118
New Venture Fund (IFAAES)	29,572	22,330
Heinrich Boell Foundation	26,181	35,082
Biodiversidad Magazine	5,851	3,175
Core funding	-	36,625
	\$ 867,606	\$ 705,066

## SCHEDULE B - PROJECT EXPENSES

CS Fund		
Project/Travel support	\$ 23,971	\$ -
Project/Staff in Africa	42,376	16,393
Project/Seeds	-	59,263
Oxfam Novib SD=HS	86,621	-
Syn-Energene	64,299	-
New Venture Fund (IFAAES)	29,575	21,858
Biodiversidad Magazine	6,613	3,171
	\$ 253,455	\$ 100,685