

etc group

action group on erosion, technology and concentration

Financial Statements

August 31, 2003

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF etc group action group on erosion, technology and concentration

We have audited the balance sheet of etc **group**: action group on erosion, technology and concentration as at August 31, 2003 and the statements of operations and net assets and cash flows for the year then ended. These financial statements are the responsibility of etc **group's** management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable not-for-profit organizations, etc **group** derives its revenues and expenses from a variety of sources, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues and expenses, including contributed goods and services, was limited to the amounts recorded in the records of etc **group** and we were not able to determine whether any adjustments might be necessary to these aforementioned accounts.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue and expenses referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of etc **group** as at August 31, 2003 and the results of its operations and net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
November 6, 2003



Chartered Accountants Inc.

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BALANCE SHEET

As at August 31, 2003, with comparative figures for 2002

	2003	2002
ASSETS		
Current assets		
Cash and investments (note 3)	\$ 706,896	\$ 432,810
Funding receivable (note 5)	150,000	589,197
Miscellaneous accounts receivable	53,473	9,151
Prepaid expenses	<u>4,041</u>	<u>4,041</u>
	914,410	1,035,199
Less: amount restricted	<u>(185,000)</u>	<u>(185,000)</u>
	729,410	850,199
Capital assets, net (note 6)	13,446	11,934
Restricted funds	185,000	185,000
	<u>\$ 927,856</u>	<u>\$ 1,047,133</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 52,594	\$ 36,757
Deferred revenue (note 7)	<u>137,917</u>	<u>320,845</u>
	190,511	357,602
Net assets		
Unrestricted net assets	538,899	492,597
Net assets invested in capital assets	13,446	11,934
Restricted net assets	<u>185,000</u>	<u>185,000</u>
	737,345	689,531
	<u>\$ 927,856</u>	<u>\$ 1,047,133</u>

See accompanying notes to financial statements.

Approved by the Board:

_____ Director

_____ Director

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STATEMENT OF OPERATIONS

For the year ended August 31, 2003, with comparative figures for 2002

	2003	2002
Revenue (schedule 1)		
Subsidies	\$ 282,532	\$ 480,495
CS Fund	205,000	155,000
S. Goldman	31,000	7,750
CIDA	50,000	130,000
SIDA	272,453	237,194
HKH Foundation Grant	76,208	58,125
Deep Ecology	-	42,500
Albert A List	33,583	33,066
Dag Hammarskjold	-	15,500
Ford Foundation	50,000	-
Consulting Fees	461	(6,099)
Realized foreign exchange gain (loss)	(15,140)	-
Unrealized foreign exchange gain (loss) (note 4)	(67,694)	117
Other	2,852	27,879
Interest	1,974	1,511
Honourarium revenue	2,513	-
	<u>925,742</u>	<u>1,183,038</u>
Expenses (schedule 1)		
Accounting	30,034	25,752
Amortization	15,918	14,367
Bank charges and interest	7,400	4,788
Books, printing, and distribution	28,580	45,895
Consulting Fees	29,531	3,715
Information and publications	44,622	1,159
Meetings	178,117	71,070
Office	20,764	64,456
Postage and courier	4,820	2,863
Professional Fees	9,895	8,178
Rent	31,112	26,547
Research	1,434	27,837
Repairs and Maintenance	1,760	4,235
Telephone	36,603	25,126
Travel	42,773	51,514
Wages and benefits	394,565	367,375
	<u>877,928</u>	<u>744,877</u>
Excess of revenue over expenses	\$ 47,814	\$ 438,161

See accompanying notes to financial statements.

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STATEMENT OF NET ASSETS

For the year ended August 31, 2003

	Unrestricted	Invested in Capital Assets	Restricted	2003
Net assets, beginning of year	\$ 492,597	\$ 11,934	\$ 185,000	\$ 689,531
Excess (deficit) of revenue over expenses	63,732	(15,918)	-	47,814
Investment in capital assets (note 6)	(17,430)	17,430	-	-
Net assets, end of year	\$ 538,899	\$ 13,446	\$ 185,000	\$ 737,345

See accompanying notes to financial statements.

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STATEMENT OF CASH FLOWS

Year ended August 31, 2003

	2003	2002
Operating activities		
Net income	\$ 47,814	\$ 438,161
Items not involving a current outlay of cash		
Amortization	<u>15,918</u>	<u>14,366</u>
	63,732	452,527
Net change in non-cash working capital balances		
Funding receivable	439,197	(521,307)
Accounts receivable	(44,320)	12,816
Prepaid expenses	-	1
Accounts payable	15,838	(86,992)
Deferred revenue	<u>(182,929)</u>	<u>(14,909)</u>
	<u>291,518</u>	<u>(157,864)</u>
Investing activities		
Purchases of capital assets	<u>(17,432)</u>	<u>(5,338)</u>
Increase (decrease) in cash	274,086	(163,202)
Cash and investments, beginning of year	432,810	596,012
Cash and investments, end of year (note 9)	<u>\$ 706,896</u>	<u>\$ 432,810</u>

See accompanying notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

August 31, 2003

1. GENERAL

etc group: action group on erosion, technology, and concentration (formerly Rural Advancement Foundation International (Canada)), is a non-profit registered charitable organization incorporated without share capital under the Canada Corporations Act.

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 financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

a) Accounting estimates and assumptions

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in unrestricted net assets in the period in which they become known.

b) Cash and investments

Cash and investments consists of petty cash, cash deposited in chartered banks, foreign currency translated at the exchange rate as at August 31, 2003, and investments held in money market funds, short term notes, and guaranteed investment certificates, stated in Canadian dollars as at August 31, 2003.

c) Funding receivable

Funding receivable is valued at the outstanding amount pursuant to current executed funding agreements as at August 31, 2003.

d) Capital assets

Capital assets are stated at cost. Capital assets are amortized using the straight line method at the following annual rates:

Furniture and fixtures	- 33.3%
Computer equipment	- 33.3%

e) Unrestricted net assets

Unrestricted net assets represents the accumulated surplus from operations.

etc group
action group on erosion, technology and concentration
NOTES TO FINANCIAL STATEMENTS

August 31, 2003

f) Restricted funds

Pursuant to Board authorization, these funds have been appropriated and restricted to absorb working capital deficiencies should sources of funding not be readily available.

g) Revenue recognition

Revenue recognition policy is the deferral method of accounting wherein revenue contributions are matched to expenses in the period in which the expenses are incurred. Revenue received in advance of incurring expenses are deferred.

h) Foreign exchange translation

Funds are converted to Canadian dollars using the exchange rate effective as at the balance sheet date. The exchange rate applied to convert transactions throughout the year is the estimated average exchange rate between the foreign currency and Canadian dollar.

i) Economic relationship

A major portion of etc group's revenue is derived from donations and funding grants. As a result, any reduction in funding may affect etc group's ability to continue future operations.

j) Income taxes

etc group is a not-for-profit charitable organization registered under section 149.1 of the Canadian Income Tax Act, and as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

3. INVESTMENTS

Investments are held in money market mutual funds, short term notes and guaranteed investment certificates reported at fair market value, exchanged at the rate of exchange on the balance sheet date. Fair market value is equal to cost plus accrued interest to date.

For cash, cash in trust, short term investments, accounts receivable and accounts payable, the carrying amounts of these financial instruments approximates their fair value due to their short term maturity or capacity of prompt liquidation. Unless otherwise noted, it is management's opinion that etc group is not exposed to significant interest, currency or credit risks arising from these financial instruments.

4. UNREALIZED FOREIGN EXCHANGE GAIN (LOSS)

An unrealized foreign exchange gain (loss) is created on the conversion of US dollar amounts held in cash and short term investments to Canadian dollars using the exchange rate as at the balance sheet date for financial statement presentation purposes only. These gains or losses are unrealized; and may or may not be realized depending on the fluctuations of the US dollar exchange to the Canadian dollar when the funds are actually exchanged.

etc group
 action group on erosion, technology and concentration
 NOTES TO FINANCIAL STATEMENTS

August 31, 2003

5. FUNDING RECEIVABLE

	<u>2003</u>	<u>2002</u>
Friends of etc group Inc.	\$ 150,000	\$ 542,500
CBDC	<u>-</u>	<u>46,697</u>
	<u>\$ 150,000</u>	<u>\$ 589,197</u>

Friends of etc group Inc. is a charitable organization registered in USA with 501c(3) status. This organization administers the receipt of donations from USA supporters on behalf of etc group. Funding receivable are provided pursuant to contracts for specified research, education, and advisory work.

6. CAPITAL ASSETS

	<u>2003</u>		<u>2002</u>	
	Accumulated		Accumulated	
	<u>Cost</u>	<u>Amortization</u>	<u>Cost</u>	<u>Amortization</u>
Furniture and fixtures	\$ 18,773	\$ 17,973	\$ 17,573	\$ 13,042
Computer equipment	<u>111,970</u>	<u>99,324</u>	<u>95,738</u>	<u>88,335</u>
	<u>\$ 130,743</u>	<u>\$ 117,297</u>	<u>\$ 113,311</u>	<u>\$ 101,377</u>
Net book value	<u>\$ 13,446</u>		<u>\$ 11,934</u>	

7. DEFERRED REVENUE

	<u>2003</u>	<u>2002</u>
The Rockefeller Foundation	\$ -	\$ 120,637
The Greenville Foundation	25,000	-
Albert A. List Foundation	-	2,583
CS Fund	100,000	155,000
S. Goldman	-	31,000
HKH Foundation	<u>12,917</u>	<u>11,625</u>
	<u>\$ 137,917</u>	<u>\$ 320,845</u>

8. ADMINISTRATION COSTS ALLOCATED TO PROJECTS

Administrative costs, including salaries and benefits, are allocated to projects on the basis of estimates prepared by the organization's management to the best of their knowledge. Contributed goods and services provided by volunteers are not valued for financial statement purposes because the fair market value is not readily estimable by management.

etc group
action group on erosion, technology and concentration
NOTES TO FINANCIAL STATEMENTS

August 31, 2003

9. STATEMENT OF CASH FLOWS

Interest paid in the year, affecting cash flow is \$7,400 for 2003 (\$4,788 - 2002), and interest received during the year is \$1,974 for 2003 (\$1,511 - 2002).

Cash is comprised of:

	<u>2003</u>	<u>2002</u>
Cash	\$ 274,128	\$ 405,669
Investments	<u>432,768</u>	<u>27,141</u>
	<u>\$ 706,896</u>	<u>\$ 432,810</u>

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SCHEDULE 1 - REVENUE AND EXPENSES BY PROGRAM

Year ended August 31, 2003, with comparative figures for 2002

	Core Program/ Admin	CBDC	JMG	Terminator	Rockefeller	Other	Total 2003	Total 2002
REVENUE								
Subsidies	\$ -	\$ 76,164	\$ 84,166	\$ -	\$ 122,202	\$ -	\$ 282,532	\$ 480,495
CS Fund	205,000	-	-	-	-	-	205,000	155,000
S. Goldman	31,000	-	-	-	-	-	31,000	7,750
CIDA	50,000	-	-	-	-	-	50,000	130,000
SIDA	272,453	-	-	-	-	-	272,453	237,194
HKH	76,208	-	-	-	-	-	76,208	58,125
Deep Ecology	-	-	-	-	-	-	-	42,500
Albert A. List	33,583	-	-	-	-	-	33,583	33,066
Dag Hammarskjold	-	-	-	-	-	-	-	15,500
Ford Foundation	50,000	-	-	-	-	-	50,000	-
Communique	724	-	-	-	-	-	724	418
Consulting	2,974	-	-	-	-	-	2,974	(6,099)
Donations/ Interest	1,974	-	-	-	-	-	1,974	1,629
Other	2,128	-	-	-	-	-	2,128	27,460
Realized gain (loss)	(15,140)	-	-	-	-	-	(15,140)	-
Unrealized gain (loss)	(67,694)	-	-	-	-	-	(67,694)	-
	<u>643,210</u>	<u>76,164</u>	<u>84,166</u>	<u>-</u>	<u>122,202</u>	<u>-</u>	<u>925,742</u>	<u>1,183,038</u>
EXPENSES								
Accounting	30,034	-	-	-	-	-	30,034	25,752
Publications	591	-	-	-	44,031	-	44,622	1,159
Amortization	15,918	-	-	-	-	-	15,918	14,367
Bank charges and interest	7,400	-	-	-	-	-	7,400	4,788
Books, printing, and distribution	18,303	4,336	4,338	1,603	-	-	28,580	45,895
Computer equipment	1,760	-	-	-	-	-	1,760	4,235
Consulting Fees	29,531	-	-	-	-	-	29,531	3,715
Courier and postage	4,036	-	784	-	-	-	4,820	2,863
Meetings	38,870	16,797	34,795	-	87,654	-	178,117	71,071
Office	20,764	-	-	-	-	-	20,764	64,456
Professional Fees	9,895	-	-	-	-	-	9,895	8,178
Rent	31,112	-	-	-	-	-	31,112	26,547
Research	-	380	-	-	-	1,054	1,434	27,837
Telephone	33,114	2,031	1,459	-	-	-	36,603	25,126
Travel	28,226	7,753	5,388	1,406	-	-	42,773	51,513
Wages/ benefits	302,488	47,275	40,535	-	4,267	-	394,565	367,375
Admin costs, allocated to projects	(18,344)	9,920	-	-	8,424	-	-	-
	<u>553,698</u>	<u>88,492</u>	<u>87,299</u>	<u>3,009</u>	<u>144,376</u>	<u>1,054</u>	<u>877,928</u>	<u>744,877</u>
EXCESS REVENUE (EXPENSE)	\$ <u>89,512</u>	\$ <u>(12,328)</u>	\$ <u>(3,133)</u>	\$ <u>(3,009)</u>	\$ <u>(22,174)</u>	\$ <u>(1,054)</u>	\$ <u>47,814</u>	\$ <u>438,161</u>