ETC GROUP:
ACTION GROUP ON EROSION,
TECHNOLOGY AND CONCENTRATION

FINANCIAL STATEMENTS

AUGUST 31, 2015

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, 2015, 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, excess of revenue over expenses, and cash flows from operations for the years ended August 31, 2015 and 2014, current assets as at August 31, 2015 and 2014, and net assets as at August 31, 2015, August 31, 2014 and September 1, 2013. Our audit opinion on the financial statements for the year ended August 31, 2014 was modified accordingly because of the possible effects of this limitation in scope.

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 ETC Group: action group on erosion, technology and concentration as at August 31, 2015, 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.

Marcil Lavallée

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
December 17, 2015

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED AUGUST 31, 2015

		2015		2014
REVENUE (Schedule A)	**$**	**802,541**	$	867,606
OPERATING EXPENSES				
Salaries and benefits		**491,013**		530,577
Travel		**68,173**		51,414
Consulting fees		**55,082**		34,585
Meetings		**38,098**		24,949
Rent		**32,777**		39,135
Telecommunications		**21,980**		24,991
Office		**17,746**		20,879
Books, printing and distribution		**5,809**		20,050
Insurance		**3,222**		4,495
Maintenance and repairs		**3,147**		1,731
Website management		**1,675**		4,969
Foreign exchange gain		**(37,151)**		(4,201)
Professional fees		**9,033**		9,619
Interest and service charges		**4,330**		4,090
Amortization of capital assets		**3,574**		4,013
Allocation of common costs to projects (Note 3)		**(83,875)**		(152,418)
		634,633		618,878
		167,908		248,728
PROJECT EXPENSES (Schedule B)		**164,104**		253,455
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**$**	**3,804**	$	(4,727)

	Unrestricted	Six-month Operating Reserve	2015 Total	2014 Total
BALANCE, BEGINNING OF YEAR	**$ -**	**$ 207,574**	**$ 207,574**	$ 212,301
Excess (deficiency) of revenue over expenses	**3,804**	**-**	**3,804**	(4,727)
Internal restriction	**(3,804)**	**3,804**	**-**	-
BALANCE, END OF YEAR	**$ -**	**$ 211,378**	**$ 211,378**	$ 207,574

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

STATEMENT OF FINANCIAL POSITION

		2015		2014
ASSETS				
CURRENT ASSETS				
Cash	$	**321,638**	$	46,609
Short-term investment, maturing January 6, 2016		**50,333**		956
Funding receivable (Note 4)		**30,973**		157,296
Contributions receivable		**30,534**		86,621
Other receivable (Note 5)		**15,696**		13,951
Prepaid expenses		**4,971**		2,538
		454,145		307,971
CAPITAL ASSETS (Note 6)		**9,857**		8,037
	$	**464,002**	$	316,008
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$	**17,881**	$	11,225
Deferred revenue (Note 8)		**234,743**		97,209
		252,624		108,434
NET ASSETS				
Unrestricted		**-**		-
Internal restriction (Note 9)				
Six-month Operating Reserve		**211,378**		207,574
		211,378		207,574
	$	**464,002**	$	316,008

Contingencies (Note 11)

ON BEHALF OF THE BOARD

__________________________, Director

__________________________, Director

		2015		2014
OPERATING ACTIVITIES				
Excess (deficiency) of revenue over expenses	**$**	**3,804**	$	(4,727)
Adjustments for:				
Amortization of capital assets		**3,574**		4,013
		7,378		(714)
Net change in non-cash working capital items:				
Funding receivable		**126,323**		(68,872)
Contributions receivable		**56,087**		(86,621)
Other receivable		**(1,745)**		10,152
Prepaid expenses		**(2,433)**		-
Accounts payable and accrued liabilities		**6,656**		620
Deferred revenue		**137,534**		(17,066)
		322,422		(161,787)
		329,800		(162,501)
INVESTING ACTIVITIES				
Acquisition of capital assets		**(5,394)**		-
Variation of short-term investment		**(49,377)**		49,546
		(54,771)		49,546
INCREASE (DECREASE) IN CASH		**275,029**		(112,955)
CASH, BEGINNING OF YEAR		**46,609**		159,564
CASH, END OF YEAR	**$**	**321,638**	$	46,609

1. STATUTE AND NATURE OF OPERATIONS

ETC Group: action on erosion, technology and concentration is a not-for-profit organization incorporated without share capital under the Canada Not-for-profit Corporations Act. The Organization is a registered charity for income tax purposes and therefore, 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 accordance with Part III of the CPA Canada Handbook – Accounting.

Use of estimates

The preparation of financial statements in compliance with the ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the periods covered. The main estimates relate to the impairment of financial assets and the useful life of capital assets.

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 to projects

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

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 cost of inventories and depreciation translated at historic rate, are translated at average year rates. Exchange gains and losses 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, short-term investment, funding receivable, contributions receivable and other receivable.

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

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 operations using the straight-line method.

3. ALLOCATION OF COMMON COSTS TO PROJECTS

A portion of salaries and benefits as well as operating costs, totalling $83,875 (2014: $152,418), are allocated to the projects as follows:

	Salaries and benefits		Operating costs	
	2015	2014	**2015**	2014
Oxfam Novib SD=HS	**$ 62,615**	$ 81,189	**$ 5,295**	$ 5,432
New Venture Fund (IFAAES)	**10,513**	19,645	**3,452**	2,152
ForUM	**2,000**	-	**-**	-
Syn-Energene	**-**	44,000	**-**	-
	$ 75,128	$ 144,834	**$ 8,747**	$ 7,584

4. FUNDING RECEIVABLE

		2015		2014
Friends of Action Group on Erosion, Technology and Concentration Inc.	**$**	**30,973**	$	157,296

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

		2015		2014
Harmonized Sales Tax receivable	**$**	**7,997**	$	7,816
Other		**7,699**		6,135
	$	**15,696**	$	13,951

6. CAPITAL ASSETS

		Cost		Accumulated amortization		2015		2014
Computer equipment	**$**	**59,848**	**$**	**50,466**	**$**	**9,382**	$	7,325
Furniture and fixtures		**30,641**		**30,166**		**475**		712
	$	**90,489**	**$**	**80,632**	**$**	**9,857**	$	8,037

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 which is secured by a general security agreement and is unused at year-end.

8. DEFERRED REVENUE

Changes in deferred revenue during the year is as follows:

		2015		2014
Balance, beginning of year	**$**	**97,209**	$	114,275
Less: Amount recognized as revenue during the year		**(168,361)**		(206,376)
Plus: Amount received during the year		**305,895**		189,310
Balance, end of year	**$**	**234,743**	$	97,209

The details of deferred revenue is as follows:

		2015		2014
CS Fund - Core funding	**$**	**132,812**	$	75,750
CS Fund - Project/Staff in Africa		**-**		21,459
11th Hour Project		**47,778**		-
Biofuelwatch		**22,122**		-
New Venture Fund (IFAAES)		**19,422**		-
Swift Foundation		**12,609**		-
	$	**234,743**	$	97,209

9. INTERNAL RESTRICTION

The Organization maintains an internally restricted fund which is entitled the Six-month Operating Reserve. During the year, the Board approved a transfer from the Unrestricted Fund to the Six-month Operating Reserve for an amount of $3,804.

10. 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. There is no existing account receivable that represents a substantial risk for the Organization.

10. FINANCIAL INSTRUMENTS (continued)

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, 2015, assets include funding receivable of $24,777 (2014: $142,996) and a cash balance of $198,098 (2014: $19,526) in US dollars, which have been converted into Canadian dollars.

11. 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.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to be consistent with the current year’s presentation.

		2015		2014
SCHEDULE A - REVENUE				
Grants and contributions				
Lillian Goldman Charitable Trust	**$**	**240,000**	$	220,000
Oxfam Novib		**139,690**		151,988
CS Fund				
- Core funding		**130,438**		164,000
- Project/Staff in Africa		**21,459**		42,376
- Project/Travel support		**-**		24,200
- Other (including donations of $21,251; 2014: $9,632)		**79,439**		47,739
Oxfam Novib SD=HS		**67,915**		86,621
Heinrich Boell Foundation		**28,203**		26,181
Nell Newman Foundation		**22,000**		-
ForUM		**17,521**		-
New Venture Fund (IFAAES)		**13,965**		29,572
11th Hour Project		**12,222**		-
Biodiversidad Magazine		**11,146**		5,851
Biofuelwatch		**8,745**		-
Syn-Energene		**6,806**		69,078
Swift Foundation		**2,992**		-
	$	**802,541**	$	867,606

		2015		2014
SCHEDULE B - PROJECT EXPENSES				
CS Fund				
- Project/Staff in Africa	**$**	**21,611**	$	42,376
- Project/Travel support		**-**		23,971
Oxfam Novib SD=HS		**67,910**		86,621
ForUM		**18,624**		-
New Venture Fund (IFAAES)		**13,965**		29,575
11th Hour Project		**12,222**		-
Biodiversidad Magazine		**11,229**		6,613
Biofuelwatch		**8,745**		-
Syn-Energene		**6,806**		64,299
Swift Foundation		**2,992**		-
	$	**164,104**	$	253,455