

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

**FINANCIAL STATEMENTS**

**AUGUST 31, 2023**

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

### TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
Statement of Operations	3
Statement of Changes in Net Assets	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7
Additional Information	14

## INDEPENDENT AUDITOR'S REPORT

To the Members of  
ETC Group: Action on Erosion, Technology and Concentration

### *Qualified Opinion*

We have audited the financial statements of ETC Group: Action on Erosion, Technology and Concentration (the Organization), which comprise the statement of financial position as at August 31, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at August 31, 2023, 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.

### *Basis for Qualified Opinion*

In common with many similar organizations, ETC Group receives revenues 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 the Organization. Therefore, we are not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, cash flows from operations for the years ended August 31, 2023 and 2022, current assets as at August 31, 2023 and 2022 and net assets as at August 31, 2023 and 2022 and September 1, 2021. The opinion on the financial statements as at August 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

**Marcil Lavallée**

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Moore North America, Inc.  
An independent member  
of Moore North America, Inc.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Marcil Lavallée*

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario  
November 11, 2024

# ETC GROUP: ACTION ON EROSION, TECHNOLOGY AND CONCENTRATION

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED AUGUST 31, 2023

3

	2023	2022
<b>REVENUES</b>		
Project revenues (Schedule A)	\$ 1,207,655	\$ 824,475
Core revenues		
Core funding	208,918	228,506
Donations and other	76,223	34,342
	285,141	262,848
	1,492,796	1,087,323
<b>OPERATING EXPENSES</b>		
Subcontractors, salaries and benefits	730,376	651,507
Office	29,000	19,240
Travel	21,287	26,338
Rent	21,099	26,008
Insurance	7,075	6,794
Website management	4,766	25,511
Telecommunications	3,916	4,952
Maintenance and repairs	1,753	444
Consulting fees	208	56,130
Meetings	183	1,537
Video design and graphics	-	641
Professional fees	71,068	42,805
Interest and service charges	5,283	6,711
Amortization of capital assets	1,021	957
	897,035	869,575
Allocation of common costs to projects	(721,500)	(617,256)
<b>NET OPERATING EXPENSES</b>	<b>175,535</b>	<b>252,319</b>
<b>PROJECT EXPENSES</b> (Schedule B)	<b>1,195,454</b>	<b>825,143</b>
	<b>1,370,989</b>	<b>1,077,462</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 121,807</b>	<b>\$ 9,861</b>

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

### STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2023

4

	Unrestricted net assets	Invested in capital assets	2023 Total	2022 Total
<b>BALANCE, BEGINNING OF YEAR</b>	\$ (24,493)	\$ 1,416	\$ (23,077)	(32,938)
Excess of revenues over expenses	122,828	(1,021)	121,807	9,861
Invested in capital assets	(3,304)	3,304	-	-
<b>BALANCE, END OF YEAR</b>	\$ 95,031	\$ 3,699	\$ 98,730	(23,077)

# ETC GROUP: ACTION ON EROSION, TECHNOLOGY AND CONCENTRATION


## STATEMENT OF FINANCIAL POSITION


AUGUST 31, 2023

5

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 794,284	\$ 260,190
Other receivable (Note 4)	70,369	41,709
Grants and contributions receivable (Note 5)	110,277	488,583
Prepaid expenses	3,182	3,182
	978,112	793,664
<b>CAPITAL ASSETS</b> (Note 6)	<b>3,699</b>	<b>1,416</b>
	\$ 981,811	\$ 795,080
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 76,430	\$ 41,262
Deferred contributions (Note 9)	806,651	776,895
	883,081	818,157
<b>(NEGATIVE) NET ASSETS</b>		
Unrestricted	95,031	(24,493)
Invested in capital assets	3,699	1,416
	98,730	(23,077)
	\$ 981,811	\$ 795,080

ON BEHALF OF THE BOARD

  
Eric Christensen, Director

  
N. H. Hallstrom, Director

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

### STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2023

6

	2023	2022
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 121,807	\$ 9,861
<b>Adjustment for:</b>		
Amortization of capitals assets	1,021	957
	122,828	10,818
Net change in non-cash items related to operating activities (Note 10)	414,570	(128,032)
	537,398	(117,214)
<b>INVESTING ACTIVITIES</b>		
Acquisition of capital assets	(3,304)	-
Net change of guaranteed investment certificate	-	50,044
	(3,304)	50,044
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>534,094</b>	<b>(67,170)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>260,190</b>	<b>327,360</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 794,284</b>	<b>\$ 260,190</b>

Cash and cash equivalents consist of cash.

# ETC GROUP: ACTION ON EROSION, TECHNOLOGY AND CONCENTRATION

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

7

### 1. STATUTE AND NATURE OF OPERATIONS

ETC Group: Action Group 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 addresses international governance issues and corporate power.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The Organization applies the Canadian accounting standards for not-for-profit organizations.

#### **Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the amounts recognized as revenues and expenses for the periods covered. Actual results may differ from these estimates.

#### **Revenue recognition**

The Organization follows the deferral method of accounting for grants and contributions, which include project revenues and core funding. Under this method, grants and contributions restricted for future period expenses are deferred and are recognized in the year in which the related expenses are incurred.

Donations and other revenues are recognized when earned and when the amount can be reasonably estimated and collection is reasonably assured.

#### **Grants and contributions receivable**

A contribution receivable is recognized as an asset when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

#### **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.

# ETC GROUP: ACTION ON EROSION, TECHNOLOGY AND CONCENTRATION

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

8

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Translation of foreign currency transactions and items

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. Revenues and expenses, except for the cost of inventories included in the cost of goods sold translated at the historical rate, are translated at the exchange rate in effect at the transaction date. 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 straight-line method at the following rates:

	<b>Rates</b>
Computer equipment	33.3%
Furniture and fixtures	33.3%

#### Financial instruments

##### *Initial measurement*

The Organization initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Organization is in the capacity of management, are initially measured at cost.

# ETC GROUP: ACTION ON EROSION, TECHNOLOGY AND CONCENTRATION

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

9

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### *Subsequent measurement*

The Organization subsequently measures all its financial assets and liabilities at cost or amortized cost.

Financial assets measured at amortized cost include cash, grants and contributions receivables and other receivable.

##### *Transaction costs*

Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in operations in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in operations over the life of the instrument using the straight-line method.

##### *Impairment*

For financial assets measured at cost or amortized cost, the Organization determines whether there are indications of possible impairment. When there are, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in operations. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be 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.

#### Cash and cash equivalents

The Organization's policy is to present bank balances, including bank indebtedness with balances that can fluctuate from being positive to overdrawn, under cash and cash equivalents.

# ETC GROUP: ACTION ON EROSION, TECHNOLOGY AND CONCENTRATION

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

10

### 3. ALLOCATION OF COMMON COSTS TO PROJECTS

A portion of salaries and benefits as well as operating costs, totaling \$721,500 (2022: \$617,256), are allocated to the projects as follows:

	Salaries and benefits		Operating costs	
	2023	2022	2023	2022
Adasina	\$ -	\$ 63,900	\$ -	\$ -
Adasina 2022	-	12,276	-	256
Adasina 2023	13,184	-	-	-
Afritaps 3	-	64,861	-	8,723
Afritaps 4	34,832	-	-	-
AGC	51,253	4,736	-	336
Agroecology 2	-	19,676	-	2,608
Agroecology 3	28,628	4,231	-	-
BFN	102,468	18,686	13,531	6,563
Christopher Reynolds Foundation	17,632	19,255	-	5,523
Creppa	18,000	18,000	-	-
CSS 3	4,186	24,022	-	258
Feedback Global	38,119	-	-	-
Full Circle Foundation	67,679	49,732	-	2,492
Fleming Foundation	6,745	-	-	-
HBF - Geoengineering 2021-2022	21,302	32,073	-	-
HBF - Geoengineering 2023	13,793	-	-	-
HBF - Hong Kong	20,093	-	-	-
InterPares	4,576	5,424	-	-
Just Net Coalition	-	6,984	-	2,063
LFM 2	-	20,453	-	271
LFM 3	59,831	17,513	5,724	-
NADAWG 1	-	-	-	6,523
NADAWG 2	6,823	-	-	-
Polden Puckham	45,068	-	-	-
RLS Agri-Digitalization	8,175	-	-	-
RLS Climate Financialization	3,335	5,061	-	394
RLS Communicating Disruption	3,335	5,062	-	16
RLS NY	5,195	-	-	-
Swift Foundation	44,885	49,486	-	583
TECLA 2020	-	3,620	-	-
Wallace Global Fund	25,405	49,557	-	1,917
Who Will Control 2 (BFTW & Misereor)	42,036	70,132	15,667	13,990
	\$ 686,578	\$ 564,740	\$ 34,922	\$ 52,516

# ETC GROUP: ACTION ON EROSION, TECHNOLOGY AND CONCENTRATION

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

11

### 4. OTHER RECEIVABLE

	2023		2022	
Advances to project - Philippines	\$	45,461	\$	20,388
GST/QST receivable		14,555		16,708
Other		10,353		4,613
	\$	70,369	\$	41,709

### 5. GRANTS AND CONTRIBUTIONS RECEIVABLE

	2023		2022	
BFN	\$	52,607	\$	240,486
Who Will Control		27,207		56,020
AGC		22,115		66,019
HBF - Hong Kong Project		8,348		8,348
LFM 3		-		66,758
Agroecology 3		-		48,251
Other		-		2,701
	\$	110,277	\$	488,583

### 6. CAPITAL ASSETS

	2023			2022	
	Cost	Accumulated amortization	Net book value	Net book value	
Computer equipment	\$ 65,500	\$ 63,220	\$ 2,280	\$	1,067
Furniture and fixtures	35,651	34,232	1,419		349
	\$ 101,151	\$ 97,452	\$ 3,699	\$	1,416

### 7. BANK LOAN

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, is unused at year-end.

### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023		2022	
Trade accounts and accrued liabilities	\$	76,430	\$	41,262

# ETC GROUP: ACTION ON EROSION, TECHNOLOGY AND CONCENTRATION

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

12

### 9. DEFERRED CONTRIBUTIONS

Changes in deferred contributions during the year are as follows:

	2023	2022
Balance, beginning of year	\$ 776,895	\$ 557,315
Less: Amount recognized as revenue during the year	(1,416,573)	(1,010,651)
Plus: Amount granted during the year	1,446,329	1,230,231
Balance, end of year	\$ 806,651	\$ 776,895

The details of deferred contributions are as follows:

	2023	2022
11th Hour Project - Afritaps 3	\$ -	\$ 28,143
11th Hour Project - Afritaps 4	136,519	-
AGC	-	60,947
Agroecology 3	12,072	44,020
BFN	22,647	215,236
Christopher Reynolds Foundation	-	17,632
Clif Foundation	12,957	-
CS Fund - Core	197,622	128,870
CS Fund - Organizational Development 2	-	23,479
CS Fund - Supper in SuperYear	-	32,897
CSS 3	-	13,234
Fleming Foundation	6,213	-
Full Circle Foundation	26,506	9,671
HBF - Geoengineering	-	21,302
HBF - Geoengineering 2023	11,226	-
HBF - Hong Kong	-	20,093
InterPares	-	4,576
LFM 3	-	77,062
NADAWG 2	-	24,554
NADAWG 3	98,795	-
Panta Rea	243	-
Polden Puckham	177,825	-
RLS Agri-Digitalization	19,633	-
RLS Disruption	-	11,185
RLS Financialization	-	11,311
Supper in SuperYear	32,897	-
Swift Foundation	34,473	26,913
Wallace Global 2023	17,023	-
Who Will Control 2	-	5,770
	\$ 806,651	\$ 776,895

# ETC GROUP: ACTION ON EROSION, TECHNOLOGY AND CONCENTRATION

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023

13

### 10. NET CHANGE IN NON-CASH ITEMS RELATED TO OPERATING ACTIVITIES

	2023	2022
Other receivable	\$ (28,660)	\$ (1,379)
Grants and contributions receivable	378,306	(327,909)
Accounts payable and accrued liabilities	35,168	(18,324)
Deferred contributions	29,756	219,580
	\$ 414,570	\$ (128,032)

### 11. FINANCIAL INSTRUMENTS

#### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

As at August 31, 2023, assets include cash of \$423,299 (2022: \$146,702) in US dollars and cash of \$31,247 (2022: \$46,965) in Philippines Pesos, which have been converted into Canadian Dollars.

### 12. COMPARATIVE FIGURES

Certain figures for 2022 have been reclassified to conform to the presentation adopted in 2023.

# ETC GROUP: ACTION ON EROSION, TECHNOLOGY AND CONCENTRATION

## ADDITIONAL INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2023

14

	2023	2022
<b>SCHEDULE A - PROJECT REVENUES</b>		
BFN	\$ 192,589	\$ 25,250
Who Will Control 2	146,002	112,648
Afritaps 4	123,932	-
Full Circle Foundation	84,768	52,224
LFM 3	80,503	17,512
Polden Puckham	69,747	-
AGC	60,948	5,072
Wallace Global Fund	50,172	57,859
Swift Foundation	45,460	50,069
Feedback Global	41,505	-
RLS Climate Financialization	35,020	5,455
Agroecology 3	31,948	4,231
Panta Rea Foundation	28,454	-
Afritaps 3	28,141	141,788
NADAWG 2	24,554	11,256
HBF - Geoengineering	21,302	32,073
RLS Communicating Disruption	21,089	5,077
HBF - Hong Kong	20,093	10,352
Creppa	18,000	18,000
Christopher Reynolds Foundation	17,632	24,778
HBF - Geoengineering 2023	13,912	-
CSS 3	13,234	48,483
Adasina	13,184	92,062
RLS Agri-Digitalization	8,950	-
Fleming Foundation	6,745	-
RLS NY	5,195	(670)
InterPares	4,576	5,424
Agroecology 2	-	22,284
LFM 2	-	20,724
Just Net Coalition	-	17,749
CSS 2	-	13,159
Adasina 2022	-	12,533
Afritaps 2	-	8,940
NADAWG 1	-	6,523
TECLA	-	3,620
	<b>\$ 1,207,655</b>	<b>\$ 824,475</b>

# ETC GROUP: ACTION ON EROSION, TECHNOLOGY AND CONCENTRATION

## ADDITIONAL INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2023

15

	2023	2022
<b>SCHEDULE B - PROJECT EXPENSES</b>		
BFN	\$ 192,589	\$ 25,250
Who Will Control 2	148,015	112,648
Afritaps 4	123,932	-
Full Circle Foundation	84,768	52,224
LFM 3	70,352	17,512
Polden Puckham	69,747	-
AGC	60,948	5,072
Wallace Global Fund	50,172	57,859
Swift Foundation	45,460	50,069
Feedback Global	40,274	-
RLS Climate Financialization	36,080	5,455
Agroecology 3	31,948	4,231
Panta Rea	28,454	-
Afritaps 3	26,680	141,786
NADAWG 2	23,263	11,256
HBF - Geoengineering	21,302	32,073
HBF - Hong Kong	20,093	10,352
RLS Communicating Disruption	19,995	5,078
Creppa	18,000	18,000
Christopher Reynolds Foundation	17,632	24,778
HBF - Geoengineering 2023	13,912	-
CSS 3	13,188	48,483
Adasina	13,184	92,062
RLS Agri-Digitalization	8,950	-
Fleming Foundation	6,745	-
RLS NY	5,195	-
InterPares	4,576	5,424
Agroecology 2	-	22,284
LFM 2	-	20,724
Just Net Coalition	-	17,749
CSS 2	-	13,159
Adasina 2022	-	12,532
Afritaps 2	-	8,940
NADAWG 1	-	6,523
TECLA	-	3,620
	<b>\$ 1,195,454</b>	<b>\$ 825,143</b>