

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

FINANCIAL STATEMENTS

AUGUST 31, 2016

**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, 2016, 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, 2016 and 2015, current assets as at August 31, 2016 and 2015, and net assets as at August 31, 2016 and 2015 and September 1, 2014. Our audit opinion on the financial statements for the year ended August 31, 2015 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, 2016, 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
November 21, 2016

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED AUGUST 31, 2016

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	2016	2015
REVENUE		
Grants and contributions		
- Project revenues (Schedule A)	\$ 404,695	\$ 162,771
- CS Fund - Core funding	189,688	130,438
- Lillian Goldman Charitable Trust	130,000	240,000
- Threshold Foundation	52,000	-
- Heinrich Boell Foundation	24,205	28,203
- Oxfam Novib	-	139,690
- Nell Newman Foundation	-	22,000
Other (including donations of \$9,173 ; 2015: \$21,151)	56,321	79,439
Consulting	1,500	-
	858,409	802,541
OPERATING EXPENSES		
Salaries and benefits	552,005	491,013
Travel	49,543	68,173
Meetings	41,124	38,098
Consulting fees	37,991	55,083
Rent	36,359	32,777
Office	19,394	17,746
Telecommunications	16,886	21,980
Books, printing and distribution	16,032	3,270
Insurance	3,991	3,222
Maintenance and repairs	2,295	3,147
Foreign exchange gain	1,834	(37,151)
Website management	974	1,675
Professional fees	9,043	9,033
Interest and service charges	4,430	4,330
Amortization of capital assets	3,731	3,574
Allocation of common costs to projects (Note 3)	(253,054)	(83,875)
	542,578	632,095
	315,831	170,446
PROJECT EXPENSES (Schedule B)	407,843	166,642
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (92,012)	\$ 3,804

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2016

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	Unrestricted	Six-month Operating Reserve	2016 Total	2015 Total
BALANCE, BEGINNING OF YEAR	\$ -	\$ 211,378	\$ 211,378	\$ 207,574
Excess (deficiency) of revenue over expenses	(92,012)	-	(92,012)	3,804
Interfund transfer	92,012	(92,012)	-	-
BALANCE, END OF YEAR	\$ -	\$ 119,366	\$ 119,366	\$ 211,378

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2016

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	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 103,124	\$ 321,638
Guaranteed investment certificate, maturing January 9, 2017	50,302	50,333
Funding receivable (Note 4)	227,068	30,973
Contributions receivable	33,674	30,534
Other receivable (Note 5)	12,940	15,696
Prepaid expenses	10,936	4,971
	438,044	454,145
CAPITAL ASSETS (Note 6)	8,821	9,857
	\$ 446,865	\$ 464,002
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 14,601	\$ 17,881
Deferred contributions (Note 8)	312,898	234,743
	327,499	252,624
NET ASSETS		
Unrestricted	-	-
Internal restriction (Note 9)		
Six-month Operating Reserve	119,366	211,378
	119,366	211,378
	\$ 446,865	\$ 464,002

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, 2016

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	2016	2015
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (92,012)	\$ 3,804
Adjustment for:		
Amortization of capital assets	3,731	3,574
	(88,281)	7,378
Net change in non-cash working capital items:		
Funding receivable	(196,095)	126,323
Contributions receivable	(3,140)	56,087
Other receivable	2,756	(1,745)
Prepaid expenses	(5,965)	(2,433)
Accounts payable and accrued liabilities	(3,280)	6,656
Deferred contributions	78,155	137,534
	(127,569)	322,422
	(215,850)	329,800
INVESTING ACTIVITIES		
Acquisition of capital assets	(2,695)	(5,394)
Variation of short-term investment	31	(49,377)
	(2,664)	(54,771)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(218,514)	275,029
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	321,638	46,609
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 103,124	\$ 321,638

Cash and cash equivalents consist of cash.

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

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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 (ASNFO) in accordance with Part III of the CPA Canada Handbook – Accounting.

Use of estimates

The preparation of financial statements in compliance with the ASNFO 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.

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.

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 reasonably 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.

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NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

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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 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.

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.

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.

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.

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment

Financial assets measured at amortized 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

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 \$253,054 (2015: \$83,875), are allocated to the projects as follows:

	Salaries and benefits		Operating costs	
	2016	2015	2016	2015
Oxfam Novib SD=HS	\$ 144,303	\$ 62,615	\$ 4,352	\$ 5,295
New Venture Fund (IFAAES)	40,375	10,513	-	3,452
Africa Renewable Energy Initiative	26,617	-	-	-
Heinrich Boell Foundation Project	12,908	-	-	-
ForUM	12,850	2,000	-	-
Syn-Energene	4,764	-	-	-
11th Hour Project	3,500	-	-	-
CS Fund - Project/TAPLA	2,845	-	-	-
Swift Foundation	540	-	-	-
	\$ 248,702	\$ 75,128	\$ 4,352	\$ 8,747

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

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4. FUNDING RECEIVABLE

	2016	2015
Friends of Action Group on Erosion, Technology and Concentration Inc.	\$ 227,068	\$ 30,973

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

	2016	2015
Harmonized Sales Tax receivable	\$ 8,679	\$ 7,997
Other	4,261	7,699
	\$ 12,940	\$ 15,696

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2016	2015
Computer equipment	\$ 62,543	\$ 54,039	\$ 8,504	\$ 9,382
Furniture and fixtures	30,641	30,324	317	475
	\$ 93,184	\$ 84,363	\$ 8,821	\$ 9,857

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.

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

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8. DEFERRED CONTRIBUTIONS

Changes in deferred contributions during the year is as follows:

	2016	2015
Balance, beginning of year	\$ 234,743	\$ 97,209
Less: Amount recognized as revenue during the year	(433,360)	(168,361)
Plus: Amount received during the year	511,515	305,895
Balance, end of year	\$ 312,898	\$ 234,743

The detail of deferred contributions is as follows:

	2016	2015
CS Fund - Core funding	\$ 138,125	\$ 132,812
CS Fund - Project/TAPLA	46,326	-
Oxfam Novib SD=HS	48,998	-
11th Hour Project	36,513	47,778
Frontier Co-op	21,155	-
Biofuelwatch	15,148	22,122
New Venture Fund (IFAAES)	6,633	19,422
Swift Foundation	-	12,609
	\$ 312,898	\$ 234,743

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 Six-month Operating Reserve to the Unrestricted Fund for an amount of \$92,012.

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 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 receivable that represents a substantial risk for the Organization.

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NOTES TO THE FINANCIAL STATEMENTS

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10. FINANCIAL INSTRUMENTS (continued)

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, 2016, assets include cash and funding receivable of \$28,614 and \$174,668 respectively (2015: \$198,098 and \$24,777) 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.

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ADDITIONAL INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2016

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	2016	2015
SCHEDULE A - PROJECT REVENUES		
Oxfam Novib SD=HS	\$ 155,255	\$ 67,915
New Venture Fund (IFAAES)	55,975	13,965
Syn-Energene	48,525	6,806
IPES - Food	34,415	-
Africa Renewable Energy Initiative	27,257	-
Heinrich Boell Foundation Project	25,187	-
ForUM	17,598	17,521
Swift Foundation	12,608	2,992
11th Hour Project	11,265	12,222
Biofuelwatch	6,974	8,745
CS Fund - Project/TAPLA	5,674	-
CS Fund - Africa project	-	21,459
Biodiversidad Magazine	2,367	11,146
Frontier Co-op	1,595	-
	\$ 404,695	\$ 162,771

SCHEDULE B - PROJECT EXPENSES

Oxfam Novib SD=HS	\$ 155,255	\$ 67,910
New Venture Fund (IFAAES)	55,975	13,965
Syn-Energene	52,690	6,806
IPES - Food	37,840	-
Africa Renewable Energy Initiative	27,257	-
Heinrich Boell Foundation Project	21,594	2,538
ForUM	16,197	18,624
Swift Foundation	13,121	2,992
11th Hour Project	11,265	12,222
Biofuelwatch	6,974	8,745
CS Fund - Project/TAPLA	5,674	-
CS Fund - Staff in Africa	-	21,611
Biodiversidad Magazine	2,406	11,229
Frontier Co-op	1,595	-
	\$ 407,843	\$ 166,642