

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

FINANCIAL STATEMENTS

AUGUST 31, 2017

**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, 2017, 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

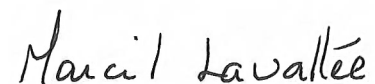
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 audit opinion.

Opinion

In our opinion, 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, 2017, 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 20, 2017

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED AUGUST 31, 2017

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	2017	2016
REVENUE		
Grants and contributions		
- Project revenues (Schedule A)	\$ 444,021	\$ 404,695
- CS Fund - Core funding	240,000	189,688
- Heinrich Boell Foundation	30,752	24,205
- Lillian Goldman Charitable Trust	-	130,000
- Threshold Foundation	-	52,000
Consulting	2,463	1,500
Other (including donations of \$3,167 ; 2016: \$9,173)	95,924	56,321
	813,160	858,409
OPERATING EXPENSES		
Salaries and benefits	513,498	552,005
Rent	39,418	36,359
Travel	39,720	49,543
Consulting fees	28,307	37,991
Office	20,860	19,394
Telecommunications	17,530	16,886
Meetings	9,841	41,124
Books, printing and distribution	3,750	16,032
Foreign exchange gain	3,641	1,834
Insurance	3,384	3,991
Maintenance and repairs	1,777	2,295
Website management	1,005	974
Interest and service charges	4,871	4,430
Professional fees	6,059	9,043
Amortization of capital assets	3,149	3,731
Allocation of common costs to projects (Note 3)	(319,167)	(253,054)
	377,643	542,578
	435,517	315,831
PROJECT EXPENSES (Schedule B)	446,350	407,843
DEFICIENCY OF REVENUE OVER EXPENSES	\$ (10,833)	\$ (92,012)

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2017

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	Unrestricted	Six-month Operating Reserve	2017 Total	2016 Total
BALANCE, BEGINNING OF YEAR	\$ -	\$ 119,366	\$ 119,366	\$ 211,378
Deficiency of revenue over expenses	(10,833)	-	(10,833)	(92,012)
Interfund transfer	10,833	(10,833)	-	-
BALANCE, END OF YEAR	\$ -	\$ 108,533	\$ 108,533	\$ 119,366

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION


STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2017

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	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 279,229	\$ 103,124
Guaranteed investment certificate, maturing March 29, 2018	50,115	50,302
Funding receivable from Friends of Action Group on Erosion, Technology and Concentration (Note 4)	5,164	227,068
Contributions receivable	30,478	33,674
Other receivable (Note 5)	17,793	12,940
Prepaid expenses	2,352	10,936
	385,131	438,044
CAPITAL ASSETS (Note 6)	5,672	8,821
	\$ 390,803	\$ 446,865
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 18,525	\$ 14,601
Deferred contributions (Note 8)	263,745	312,898
	282,270	327,499
NET ASSETS		
Unrestricted	-	-
Internal restriction (Note 9)		
Six-month Operating Reserve	108,533	119,366
	108,533	119,366
	\$ 390,803	\$ 446,865

ON BEHALF OF THE BOARD

 Niclas Hallstrom, Director

 Octavio Rosas Landa, Director

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2017

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	2017	2016
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	\$ (10,833)	\$ (92,012)
Adjustment for:		
Amortization of capital assets	3,149	3,731
	(7,684)	(88,281)
Net change in non-cash working capital items:		
Funding receivable - Friends of Action Group on Erosion, Technology and Concentration	221,904	(196,095)
Contributions receivable	3,196	(3,140)
Other receivable	(4,853)	2,756
Prepaid expenses	8,584	(5,965)
Accounts payable and accrued liabilities	3,924	(3,280)
Deferred contributions	(49,153)	78,155
	183,602	(127,569)
	175,918	(215,850)
INVESTING ACTIVITIES		
Acquisition of capital assets	-	(2,695)
Variation of short-term investment	187	31
	187	(2,664)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	176,105	(218,514)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	103,124	321,638
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 279,229	\$ 103,124

Cash and cash equivalents consist of cash.

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2017

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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 (ASNFPO) in accordance with 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 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.

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2017

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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 from Friends of Action Group on Erosion, Technology and Concentration, 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, 2017

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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.

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2017

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3. ALLOCATION OF COMMON COSTS TO PROJECTS

A portion of salaries and benefits as well as operating costs, totaling \$319,167 (2016: \$253,054), are allocated to the projects as follows:

	Salaries and benefits		Operating costs	
	2017	2016	2017	2016
Oxfam Novib SD=HS	\$ 101,972	\$ 144,303	\$ 2,502	\$ 4,352
VKRF	90,001	-	-	-
Frontier Co-op	30,769	-	-	-
11th Hour Project	25,771	3,500	-	-
Bread for the World	13,217	-	-	-
Heinreich Boell Foundation Project	13,000	12,908	-	-
Syn-Energene	11,027	4,764	-	-
CS Fund - Project/TAPLA	8,634	2,845	-	-
Biofuelwatch	8,000	-	4,167	-
Asean Centre for Biodiversity	4,800	-	-	-
Misereor	3,384	-	-	-
CS Fund - Project/TAPAP	904	-	347	-
Threshold Foundation	672	-	-	-
New Venture Fund (IFAAES)	-	40,375	-	-
Africa Renewable Energy Initiative	-	26,617	-	-
ForUM	-	12,850	-	-
Swift Foundation	-	540	-	-
	\$ 312,151	\$ 248,702	\$ 7,016	\$ 4,352

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2017

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4. FUNDING RECEIVABLE FROM FRIENDS OF ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

	2017	2016
Funding receivable - Friends of Action Group on Erosion, Technology and Concentration	\$ 5,164	\$ 227,068

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

	2017	2016
Harmonized Sales Tax receivable	\$ 7,083	\$ 8,679
Other	10,710	4,261
	\$ 17,793	\$ 12,940

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2017	2016
Computer equipment	\$ 62,543	\$ 56,871	\$ 5,672	\$ 8,504
Furniture and fixtures	30,641	30,641	-	317
	\$ 93,184	\$ 87,512	\$ 5,672	\$ 8,821

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, is unused at year-end.

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

NOTES TO THE FINANCIAL STATEMENTS

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8. DEFERRED CONTRIBUTIONS

Changes in deferred contributions during the year is as follows:

	2017	2016
Balance, beginning of year	\$ 312,898	\$ 234,743
Plus: Amount received during the year	554,120	511,515
Less: Amount recognized as revenue during the year	(603,966)	(433,360)
Balance, end of year	\$ 263,052	\$ 312,898

The details of deferred contributions is as follows:

	2017	2016
CS Fund - Core funding	\$ 93,125	\$ 138,125
CS Fund - TAPAP	49,370	-
Oxfam Novib SD=HS	36,494	48,998
VKRF	35,905	-
CS Fund - Project/TAPLA	20,890	46,326
11th Hour Project	13,459	36,513
Bread for the world	11,248	-
Frontier Co-op	3,254	21,155
Biofuelwatch	-	15,148
New Venture Fund (IFAAES)	-	6,633
	\$ 263,745	\$ 312,898

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 \$10,833.

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

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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 account receivable that represents a substantial risk for the Organization.

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, 2017, assets include cash and funding receivable of \$119,914 and \$10,888 respectively (2016: \$28,614 and \$174,668) in US dollars and cash and funding receivable of Nil and \$94,437 (2016: Nil and Nil) respectively in Philippines Pesos, 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.

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

ADDITIONAL INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2017

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	2017	2016
SCHEDULE A - PROJECT REVENUES		
Oxfam Novib SD=HS	\$ 104,773	\$ 155,255
VKRF	94,095	-
11th Hour Project	62,055	11,265
Frontier Co-op	56,902	1,595
CS Fund - Project/TAPLA	25,691	5,674
Syn-Energene	24,523	48,525
Bread for the world	18,687	-
Biofuelwatch	15,148	6,974
Heinrich Boell Foundation Project	13,000	25,187
Biodiversidad Magazine	6,760	2,367
New Venture Fund (IFAAES)	6,633	55,975
Threshold - SynBio Workshop	6,500	-
Asean Centre for Biodiversity	4,800	-
Misereor	3,384	-
CS Fund - Project/TAPAP	1,070	-
ForUM	-	17,598
Africa Renewable Energy Initiative	-	27,257
IPES - Food	-	34,415
Swift Foundation	-	12,608
	\$ 444,021	\$ 404,695

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

ADDITIONAL INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2017

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	2017	2016
SCHEDULE B - PROJECT EXPENSES		
Oxfam Novib SD=HS	\$ 104,773	\$ 155,255
VKRF	94,095	-
11th Hour Project	62,055	11,265
Frontier Co-op	56,902	1,595
CS Fund - Project/TAPLA	25,691	5,674
Syn-Energene	25,001	52,690
Bread for the world	18,687	-
Biofuelwatch	15,148	6,974
Heinrich Boell Foundation Project	13,546	21,594
Biodiversidad Magazine	7,008	2,406
New Venture Fund (IFAAES)	6,633	55,975
Threshold - SynBio Workshop	6,505	-
Asean Centre for Biodiversity	4,800	-
Misereor	3,384	-
CS Fund - Project/TAPAP	1,070	-
IPES - Food	1,052	37,840
Africa Renewable Energy Initiative	-	27,257
Swift Foundation	-	13,121
ForUM	-	16,197
	\$ 446,350	\$ 407,843