

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

FINANCIAL STATEMENTS

AUGUST 31, 2022

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

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INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the financial statements of ETC Group: Action Group on Erosion, Technology and Concentration (the Organization), which comprise the statement of financial position as at August 31, 2022, and the statements of operations, changes in negative 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, 2022, 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 (deficiency) of revenues over expenses, cash flows from operations for the years ended August 31, 2022 and 2021, current assets as at August 31, 2022 and 2021 and net assets as at August 31, 2022 and 2021 and September 1, 2020. The opinion on the financial statements as at August 31, 2021 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.

Other Matter

The financial statements for the year ended August 31, 2021 were audited by another auditor who expressed a qualified opinion on those financial statements on July 6, 2023.

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.

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

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.

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
April 5, 2024

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED AUGUST 31, 2022

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	2022	2021
REVENUES		
Project revenues (Schedule A)	\$ 824,475	\$ 710,217
Core revenues		
Core funding	228,506	314,505
Donations	37,224	11,001
	265,730	325,506
	1,090,205	1,035,723
OPERATING EXPENSES		
Salaries and benefits	651,507	694,690
Consulting fees	56,130	164,280
Travel	26,338	3,681
Rent	26,008	26,215
Website management	25,511	21,802
Office	19,240	24,795
Insurance	6,794	6,294
Telecommunications	4,952	3,201
Foreign exchange gain	2,882	22,311
Meetings	1,537	72
Video design and graphics	641	29,986
Maintenance and repairs	444	431
Bad debts	-	6,919
Professional fees	42,805	42,060
Interest and service charges	6,711	6,133
Amortization of capital assets	957	1,187
	872,457	1,054,057
Allocation of common costs to projects (Note 3)	(617,256)	(534,033)
CORE EXPENSES	255,201	520,024
PROJECT EXPENSES (Schedule B)	825,143	618,982
	1,080,344	1,139,006
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 9,861	\$ (103,283)

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION
STATEMENT OF CHANGES IN NEGATIVE NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2022

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	Unrestricted net assets	Invested in capital assets	2022 Total	2021 Total
BALANCE, BEGINNING OF YEAR	\$ (35,311)	\$ 2,373	\$ (32,938)	\$ 70,345
Excess (deficiency) of revenues over expenses	10,818	(957)	9,861	(103,283)
BALANCE, END OF YEAR	\$ (24,493)	\$ 1,416	\$ (23,077)	\$ (32,938)

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2022

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	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 258,161	\$ 325,331
Guaranteed investment certificate	-	50,044
Other receivable (Note 4)	16,754	15,375
Grants and contributions receivable (Note 5)	512,105	184,196
Prepaid expenses	3,182	3,182
	790,202	578,128
CAPITAL ASSETS (Note 6)	1,416	2,373
	\$ 791,618	\$ 580,501
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	\$ 37,800	\$ 56,124
Deferred contributions (Note 9)	776,895	557,315
	814,695	613,439
NEGATIVE NET ASSETS		
Unrestricted	(24,493)	(35,311)
Internal restriction		
Invested in capital assets	1,416	2,373
	(23,077)	(32,938)
	\$ 791,618	\$ 580,501

ON BEHALF OF THE BOARD

Original signed by:

Niclas Hallstrom, Director

Octavio Rosas Landa Ramos, Director

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2022

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	2022	2021
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 9,861	\$ (103,283)
Adjustment for:		
Amortization of capital assets	957	1,187
	10,818	(102,096)
Net change in non-cash items related to operating activities (Note 10)	(128,032)	51,336
	(117,214)	(50,760)
INVESTING ACTIVITY		
Net change of guaranteed investment certificate	50,044	710
DECREASE IN CASH AND CASH EQUIVALENTS	(67,170)	(50,050)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	325,331	375,381
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 258,161	\$ 325,331

Cash and cash equivalents consist of cash.

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2022

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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.

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 earnings.

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 present bank balances, including bank indebtedness with balances that can fluctuate from being positive to overdrawn, under cash and cash equivalents.

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:

	Rates
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 GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2022

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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, guaranteed investment certificate, 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.

3. ALLOCATION OF COMMON COSTS TO PROJECTS

A portion of salaries and benefits as well as operating costs, totaling \$617,256 (2021: \$534,033), are allocated to the projects as follows:

	Salaries and benefits		Operating costs	
	2022	2021	2022	2021
11th Hour	\$ -	\$ 21,177	\$ -	\$ -
11th Hour - African Voices	-	18,480	-	-
Adasina	63,900	19,999	-	14,489
Adasina 2022	12,276	-	256	-
Balance to carry forward	76,176	59,656	256	14,489

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2022

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3. ALLOCATION OF COMMON COSTS TO PROJECTS (continued)

	2022	2021	2022	2021
Balance carried forward	76,176	59,656	256	14,489
Afritaps 2	-	13,879	-	59,537
Afritaps 3	64,861	42,118	8,723	38,937
AGC	4,736	-	336	-
Agroecology 2019-2020	-	7,224	-	428
Agroecology 2	19,676	17,498	2,608	-
Agroecology 3	4,231	-	-	-
BFN	18,686	-	6,563	-
Creppa	18,000	-	-	-
CS Fund OD	-	6,154	-	-
CSS - 2	-	19,672	-	32,128
CSS - 3	24,022	6,768	258	7,571
Frontier 2020	-	10,191	-	-
Full Circle Foundation	49,732	-	2,492	-
HBF - Geoengineering 2021-2022	32,073	9,801	-	2,673
InterPares	5,424	-	-	-
Just Net Coalition	6,984	3,222	2,063	12,545
LFM	-	2,311	-	-
LFM 2	20,453	16,866	271	-
LFM 3	17,513	-	-	-
NADAWG 1	-	-	6,523	6,273
RLS Communicating Disruption	5,062	-	16	-
RLS Climate Financialization	5,061	-	394	-
Polinis	-	6,926	-	-
Christopher Reynolds Foundation	19,255	11,354	5,523	663
Swift Foundation	49,486	18,549	583	1,314
TECLA 2020	3,620	9,424	-	12,043
VKRF 2019-2020	-	27,188	-	720
Who Will Control 2 (BFTW & Misereor)	70,132	22,451	13,990	-
Wallace Global Fund	49,557	-	1,917	-
CS Fund - Supper in Super Year	-	32,305	-	1,155
	\$ 564,740	\$ 343,557	\$ 52,516	\$ 190,476

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2022

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4. OTHER RECEIVABLE

	2022		2021	
GST/QST receivable	\$	16,708	\$	8,329
Other		46		7,046
	\$	16,754	\$	15,375

5. GRANTS AND CONTRIBUTIONS RECEIVABLE

	2022		2021	
BFN	\$	240,486	\$	-
LFM 3		66,758		-
AGC		66,019		-
WWC 2		56,020		56,020
Agroecology 3		48,251		-
Other		26,223		7,961
HBF - Hong Kong Project		8,348		8,348
CS Fund		-		76,056
NADAWG 1 & 2		-		35,811
	\$	512,105	\$	184,196

6. CAPITAL ASSETS

	2022			2021	
	Cost	Accumulated amortization	Net book value	Net book value	
Computer equipment	\$ 63,619	\$ 62,552	\$ 1,067	\$	1,599
Furniture and fixtures	34,228	33,879	349	\$	774
	\$ 97,847	\$ 96,431	\$ 1,416	\$	2,373

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

	2022		2021	
Trade accounts and accrued liabilities	\$	37,800	\$	56,124

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2022

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9. DEFERRED CONTRIBUTIONS

Changes in deferred contributions during the year is as follows:

	2022		2021
Balance, beginning of year	\$ 557,315	\$	438,038
Less: Amount recognized as revenue during the year	(1,010,651)		(750,356)
Plus: Amount granted during the year	1,230,231		869,633
Balance, end of year	\$ 776,895	\$	557,315

The details of deferred contributions is as follows:

	2022		2021
11th Hour Project - Afitaps 3	\$ 28,143	\$	169,927
11th Hour Project - Afitaps 2	-		8,940
Adasina	-		28,162
AGC	60,947		-
Agroecology 2	-		22,284
Agroecology 3	44,020		-
BFN	215,236		-
CS Fund - Core	128,870		63,085
CS Fund - Organizational Development 2	23,479		23,479
CS Fund - Supper in SuperYear	32,897		32,897
CSS - 2	-		13,159
CSS - 3	13,234		61,717
Just Net Coalition	-		17,749
HBF - Hong Kong	20,093		-
Swift	26,913		27,549
Reynolds	17,632		42,410
TECLA 2020	-		3,620
Nadawg 1	-		6,526
Nadawg 2	24,554		35,811
LFM 3	77,062		-
Full Circle	9,671		-
HBF - Geoengineering	21,302		-
InterPares	4,576		-
RLS Financialization	11,311		-
RLS Disruption	11,185		-
Who Will Control 2	5,770		-
	\$ 776,895	\$	557,315

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2022

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

	2022	2021
Other receivable	\$ (1,379)	\$ (2,407)
Grants and contributions receivable	(327,909)	(69,758)
Prepaid expenses	-	6
Accounts payable and accrued liabilities	(18,324)	4,218
Deferred contributions	219,580	119,277
	\$ (128,032)	\$ 51,336

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, 2022, assets includes cash of \$146,702 (2021: \$182,109) in US dollars and cash of \$46,965 (2021: \$92,195) in Philippines Pesos, which have been converted into Canadian dollars..

12. COMPARATIVE FIGURES

Certain figures for 2021 have been reclassified to conform to the presentation adopted in 2022.

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

ADDITIONAL INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2022

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	2022	2021
SCHEDULE A - PROJECT REVENUES		
Afritaps 3	\$ 141,788	\$ 81,055
Who Will Control 2	112,648	171,105
Adasina	92,062	34,488
Wallace Global Fund	57,859	-
Full Circle Foundation	52,224	-
Swift Foundation	50,069	19,863
CSS 3	48,483	14,339
HBF - Geoengineering 2020	32,073	-
BFN	25,250	-
Christopher Reynolds Foundation	24,778	12,017
Agroecology 2	22,284	17,498
LFM 2	20,724	-
Creppa	18,000	-
Just Net Coalition	17,749	15,767
LFM 3	17,512	-
CSS 2	13,159	51,801
Adasina 2022	12,533	-
NADAWG 2	11,256	-
HBF - Hong Kong	10,352	8,348
Afritaps 2	8,940	73,415
NADAWG 1	6,523	6,273
RLS Climate Financialization	5,455	-
Interpares	5,424	-
RLS Communicating Disruption	5,077	-
AGC	5,072	-
Agroecology 3	4,231	-
TECLA	3,620	21,468
Other	-	37,234
VKRF 2019-2020	-	27,908
RLS Manila	-	21,561
11th Hour - Communication	-	21,177
LFM	-	19,177
11th Hour - African Voices	-	18,480
HBF - Geoengineering 2020	-	12,474
Frontier 2020	-	10,191
Agroecology 2019-2020	-	7,652
Polinis	-	6,926
RLS Foundation	(670)	-
	\$ 824,475	\$ 710,217

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

ADDITIONAL INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2022

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	2022	2021
SCHEDULE B - PROJECT EXPENSES		
Afritaps 3	\$ 141,786	\$ 81,055
Who Will Control 2	112,648	102,145
Adasina	92,062	34,488
Wallace Global Fund	57,859	-
Full Circle Foundation	52,224	-
Swift Foundation	50,069	19,863
CSS 3	48,483	14,339
HBF - Geoengineering	32,073	-
BFN	25,250	-
Christopher Reynolds Foundation	24,778	12,017
Agroecology 2	22,284	17,498
LFM 2	20,724	16,866
Creppa	18,000	-
Just Net Coalition	17,749	15,767
LFM 3	17,512	-
CSS 2	13,159	51,800
Adasina 2022	12,532	-
NADAWG 2	11,256	-
HBF - Hong Kong	10,352	-
NADAWG 1	6,523	6,273
RLS Climate Financialization	5,455	-
InterPares	5,424	-
RLS Communicating Disruption	5,078	-
AGC	5,072	-
Agroecology 3	4,231	-
TECLA	3,620	-
Afritaps 2	8,940	73,416
CS Fund - Supper in Super Year	-	34,673
VKRF - 2019 2020	-	27,908
TECLA	-	21,467
11th Hour - Communication	-	21,177
11th Hour - African Voices	-	18,480
HBF - Geoengineering 2020	-	12,474
Frontier 2020	-	10,191
Agroecology Fund 2019-2020	-	7,652
Polinis	-	6,926
CS Fund - OD 2	-	6,154
HBF Mexico	-	2,673
LFM	-	2,311
HBF - Hong Kong	-	1,369
	\$ 825,143	\$ 618,982