

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

FINANCIAL STATEMENTS

AUGUST 31, 2010

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

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## AUDITORS' REPORT

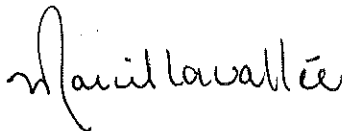
To the Directors  
ETC Group: action group on erosion, technology and concentration

We have audited the statement of financial position of ETC Group: action group on erosion, technology and concentration as at August 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Organization derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenses, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Organization as at August 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants, Licensed Public Accountants

Ottawa, Ontario  
September 30, 2010

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

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED AUGUST 31, 2010

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	2010	2009
<b>REVENUE (Schedule A)</b>	<b>\$ 1,210,679</b>	<b>\$ 1,031,802</b>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	687,526	587,928
Consulting fees	97,609	62,138
Travel	97,151	76,043
Meetings	57,488	99,626
Office	40,726	23,381
Rent	38,027	39,264
Telecommunications	29,537	22,472
Books, printing and distribution	20,272	16,859
Maintenance and repairs	11,344	6,900
Professional fees	8,220	18,597
Website management	7,732	8,886
Insurance	4,500	4,076
Interest and service charges	6,295	4,601
Foreign exchange loss (gain)	17,665	(83,688)
Amortization of capital assets	9,644	9,450
Portion of operating expenses charged to projects (note 4)	(69,226)	(80,326)
	<b>1,064,510</b>	<b>816,207</b>
<b>PROJECT EXPENSES (Schedule B)</b>	<b>120,155</b>	<b>201,088</b>
	<b>1,184,665</b>	<b>1,017,295</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ 26,014</b>	<b>\$ 14,507</b>

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

STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED AUGUST 31, 2010

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	Internally restricted		Unrestricted	2010 Total	2009 Total
	Building acquisition reserve	Six-month operating reserve			
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 300,000	\$ 350,000	\$ 53,821	\$ 703,821	\$ 689,314
Excess of revenue over expenses	-	-	26,014	26,014	14,507
<b>BALANCE, END OF YEAR</b>	\$ 300,000	\$ 350,000	\$ 79,835	\$ 729,835	\$ 703,821

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

## STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2010

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	2010	2009
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 238,907	\$ 640,525
Short-term investment, 0.2%, maturing October 21, 2010	50,001	250,000
Funding receivable (note 5)	585,055	234,073
Other receivables	30,828	17,943
Prepaid expenses	11,006	31,218
	915,797	1,173,759
INVESTMENT, 0.85%, maturing July 16, 2013	70,000	-
<b>CAPITAL ASSETS (note 6)</b>	<b>24,138</b>	<b>24,135</b>
	\$ 1,009,935	\$ 1,197,894
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 57,257	\$ 40,029
Deferred revenue (note 7)	222,843	454,044
	280,100	494,073
<b>NET ASSETS</b>		
Unrestricted	79,835	53,821
Internally restricted		
- Six-month operating reserve	350,000	350,000
- Building acquisition reserve	300,000	300,000
	729,835	703,821
	\$ 1,009,935	\$ 1,197,894

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, 2010

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	2010	2009
<b>OPERATING ACTIVITIES (note 8)</b>		
Excess of revenue over expenses	\$ 26,014	\$ 14,507
Adjustment for:		
Amortization of capital assets	9,644	9,450
	<b>35,658</b>	<b>23,957</b>
Net change in non-cash working capital items (note 8)	<b>(557,628)</b>	<b>679,579</b>
	<b>(521,970)</b>	<b>703,536</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of investment	(70,000)	-
Acquisition of capital assets	(9,647)	(10,417)
	<b>(79,647)</b>	<b>(10,417)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(601,617)</b>	<b>693,119</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>890,525</b>	<b>197,406</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 288,908</b>	<b>\$ 890,525</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2010

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### 1. STATUTE AND NATURE OF OPERATIONS

ETC Group: action on erosion, technology and concentration is a registered charitable organization incorporated without share capital under the Canada Corporation Act.

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.

The Organization is exempt from income taxes.

### 2. CHANGE IN ACCOUNTING POLICIES

#### Financial statement presentation

The Canadian Institute of Chartered Accountants (CICA) has changed Section 4400 "Financial statement presentation by not-for-profit organizations" in order to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so. The accounting change came into effect on September 1, 2009. The Organization's net assets invested in capital assets are now presented as part of its unrestricted net assets.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Use of estimates

The preparation of financial statements in compliance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual amounts could differ from these estimates.

#### 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.

#### Allocation of common costs

The Organization allocates a portion of its salaries and benefits and operating costs 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, 2010

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### 3. 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 rate of exchange in effect at year end. Other assets and liabilities are translated at their historic rates. Items appearing in the statement of operations, except for amortization, 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

The Organization has elected to classify its financial assets and liabilities in the following manner:

##### *Loans and receivables*

Funding receivable and other receivables are measured at amortized cost using the effective interest method. Gains and losses related to derecognition of these financial assets are recognized in the statement of operations in the period in which they arise.

##### *Held-for-trading financial assets and liabilities*

Cash, short-term investment and long-term investment are measured at fair value using the market price method. Gains and losses are recognized in the statement of operations in the period in which they arise.

##### *Other financial liabilities*

Accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Gains and losses related to derecognition of these financial liabilities are recognized in the statement of operations in the period in which they arise.

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

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2010

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments – disclosure and presentation

The Organization has elected to take advantage of the choice to apply the CICA Handbook Section 3861, “Financial instruments - disclosure and presentation” in place of Sections 3862, “Financial instruments - disclosures” and 3863, “Financial instruments - presentation”.

### 4. ALLOCATION OF COMMON COSTS

	Salaries and benefits		Operating costs	
	2010	2009	2010	2009
Christensen Fund	\$ 42,666	\$ 10,600	\$ 16,227	\$ 1,060
Ford Foundation	-	50,880	-	11,925
Marin Community Foundation	10,333	-	-	-
Ben & Jerry Foundation	-	3,945	-	-
Barbara Smith Fund	-	-	-	1,916
	\$ 52,999	\$ 65,425	\$ 16,227	\$ 14,901

### 5. FUNDING RECEIVABLE

	2010	2009
Friends of Action Group on Erosion, Technology and Concentration Inc.	\$ 339,532	\$ 234,073
HKH Foundation	245,523	-
	\$ 585,055	\$ 234,073

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.

### 6. CAPITAL ASSETS

	Cost	Accumulated amortization	2010	2009
Computer equipment	\$ 45,762	\$ 25,221	\$ 20,541	\$ 18,742
Furniture and fixtures	30,641	27,044	3,597	5,393
	\$ 76,403	\$ 52,265	\$ 24,138	\$ 24,135

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

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2010

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### 7. DEFERRED REVENUE

	2010	2009
CS Fund	\$ 106,000	\$ 109,000
Lillian Goldman Charitable Trust	86,543	88,992
Oxfam Novib	23,950	-
ForUM	6,350	-
HKH Foundation	-	218,000
Barbara Smith Fund	-	879
Marin Community Foundation	-	37,173
	<b>\$ 222,843</b>	<b>\$ 454,044</b>

### 8. CASH FLOWS

#### Net change in non-cash working capital items

	2010	2009
Funding receivable	\$ (350,982)	\$ 498,034
Other receivables	(12,885)	286
Prepaid expenses	20,212	(25,584)
Accounts payable and accrued liabilities	17,228	21,950
Deferred revenue	(231,201)	184,893
	<b>\$ (557,628)</b>	<b>\$ 679,579</b>

#### Cash flows from interest

	2010	2009
Interest received	\$ 5,847	\$ 5,666

#### Cash and cash equivalents

	2010	2009
Cash	\$ 238,907	\$ 640,525
Short-term investments	50,001	250,000
	<b>\$ 288,908</b>	<b>\$ 890,525</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2010

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### 9. CONTINGENCY

#### 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 financial records of the Organization 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.

### 10. FINANCIAL INSTRUMENTS

#### Credit risk

In the normal course of its operations, the Organization continuously reviews the financial situation of its clients. The Organization establishes allowances for doubtful accounts while keeping in mind the specific credit risk of clients, their historic tendencies and economic situation.

#### Fair value

The carrying value of cash, short-term investment, funding receivable and other receivables as well as accounts payable and accrued liabilities approximates their fair value, given their short-term maturities.

The carrying value of the long-term investment approximates fair value as the current interest rate for similar investments does not differ significantly from that obtained by the Organization.

#### 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, 2010, assets include funding receivable of \$551,885, and a cash balance of \$190,662 in US dollars, which have been converted into Canadian dollars.

### 11. CAPITAL DISCLOSURES

The Organization's main objective with respect to capital management is to maintain a sufficient level of net assets, thereby ensuring the continuity of the Organization and the ongoing fulfillment of its mission.

There are two internally restricted funds. One is a future building acquisition reserve and the other is a six-month operating reserve.

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

## ADDITIONAL INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2010

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	2010	2009
<b>SCHEDULE A - REVENUE</b>		
SwedBio	\$ 184,821	\$ 240,938
HKH Foundation matching grant	470,472	222,600
HKH Foundation/Tides Canada Foundation	109,000	112,595
Marin Community Foundation		
- Core funding	-	70,667
- Project	37,173	69,126
CS Fund	163,500	53,000
Lillian Goldman Charitable Trust	109,000	54,791
Ford Foundation	-	80,548
Christensen Fund	54,500	27,578
Oxfam Novib	10,788	-
Biodiversidad Magazine	5,466	-
ForUM	2,145	-
Barbara Smith Fund	879	3,989
Ben & Jerry Foundation	-	19,650
Other (including donations of \$1,567; 2009: \$777)	62,935	76,320
	<b>\$ 1,210,679</b>	<b>\$ 1,031,802</b>

## SCHEDULE B - PROJECT EXPENSES

Christensen Fund	\$ 62,224	\$ 27,765
Marin Community Foundation	38,003	69,125
Oxfam Novib	10,788	-
Biodiversidad Magazine	5,704	-
ForUM	2,145	-
Barbara Smith Fund	1,291	3,989
Ford Foundation	-	80,552
Ben & Jerry Foundation	-	19,657
	<b>\$ 120,155</b>	<b>\$ 201,088</b>