

ETC GROUP
(FORMERLY RURAL ADVANCEMENT
FOUNDATION INTERNATIONAL (CANADA))

Financial Statements

August 31, 2002

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF ETC GROUP (FORMERLY RURAL ADVANCEMENT FOUNDATION INTERNATIONAL (CANADA))

We have audited the balance sheet of ETC Group (formerly Rural Advancement Foundation International (Canada)) as at August 31, 2002 and the statements of operations and net assets and cash flows for the year then ended. These financial statements are the responsibility of ETC Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 not-for-profit organizations, ETC Group derives its revenues and expenses from a variety of sources, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues and expenses, including contributed goods and services, was limited to the amounts recorded in the records of ETC Group and we were not able to determine whether any adjustments might be necessary to these aforementioned accounts.

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 revenue and expenses referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of ETC Group as at August 31, 2002 and the results of its operations and net assets and cash flows for the year then ended in accordance with generally accepted accounting principles.

Winnipeg, Manitoba
November 8, 2002


Chartered Accountants Inc.

ETC GROUP
(FORMERLY RURAL ADVANCEMENT FOUNDATION INTERNATIONAL (CANADA))
BALANCE SHEET

As at August 31, 2002, with comparative figures for 2001

	2002	2001
ASSETS		
Current assets		
Cash and investments	\$ 432,810	\$ 596,012
Funding receivable (note 3)	589,197	67,890
Miscellaneous accounts receivable	9,151	21,967
Prepaid expenses	<u>4,041</u>	<u>4,042</u>
	1,035,199	689,911
Less: amount restricted	<u>(185,000)</u>	<u>(185,000)</u>
	850,199	504,911
Capital assets, net (note 4)	11,934	20,962
Restricted funds	185,000	185,000
	<u>\$ 1,047,133</u>	<u>\$ 710,873</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 36,757	\$ 123,749
Deferred revenue (note 5)	<u>320,845</u>	<u>335,754</u>
	<u>357,602</u>	<u>459,503</u>
Net assets		
Unrestricted net assets	492,597	45,410
Net assets invested in capital assets	11,934	20,960
Restricted net assets	<u>185,000</u>	<u>185,000</u>
	689,531	251,370
	<u>\$ 1,047,133</u>	<u>\$ 710,873</u>

See accompanying notes to financial statements.

Approved by the Board:

_____ Director

_____ Director

ETC GROUP
(FORMERLY RURAL ADVANCEMENT FOUNDATION INTERNATIONAL (CANADA))
STATEMENT OF OPERATIONS

For the year ended August 31, 2002, with comparative figures for 2001

	2002	2001
Revenue (schedule 1)		
Subsidies	\$ 480,495	\$ 656,943
CS Fund	155,000	-
S. Goldman	7,750	-
CIDA	130,000	120,000
SIDA	237,194	-
HKH Foundation Grant	58,125	147,040
Deep Ecology	42,500	18,750
Albert A List	33,066	-
Dag Hammarskjold	15,500	-
Philanthropic Collaborative Inc.	-	7,500
Consulting Fees	(6,099)	18,591
Donations	-	3,060
Other	27,996	23,528
Interest	1,511	31,230
	<u>1,183,038</u>	<u>1,026,642</u>
Expenses (schedule 1)		
Accounting	25,752	33,046
Advertising and promotion	1,159	781
Amortization	14,367	12,610
Bank charges and interest	4,788	1,927
Books, printing, and distribution	45,895	39,251
Consulting Fees	3,715	56,066
Fiscal sponsorship	-	25,500
Meetings	71,070	188,289
Office	64,456	42,503
Postage and courier	2,863	-
Professional Fees	8,178	27,866
Rent	26,547	15,706
Research	27,837	10,580
Repairs and Maintenance	4,235	-
Telephone	25,126	49,487
Travel	51,514	72,064
Wages and benefits	367,375	361,895
	<u>744,877</u>	<u>937,571</u>
Excess of revenue over expenses	<u>\$ 438,161</u>	<u>\$ 89,071</u>

See accompanying notes to financial statements.

ETC GROUP
(FORMERLY RURAL ADVANCEMENT FOUNDATION INTERNATIONAL (CANADA))
STATEMENT OF NET ASSETS

For the year ended August 31, 2002

	Unrestricted	Invested in Capital Assets	Restricted	2002
Net assets, beginning of year	\$ 45,410	\$ 20,960	\$ 185,000	\$ 251,370
Excess (deficit) of revenue over expenses	452,525	(14,364)	-	438,161
Investment in capital assets (note 4)	(5,338)	5,338	-	-
Net assets, end of year	\$ 492,597	\$ 11,934	\$ 185,000	\$ 689,531

See accompanying notes to financial statements.

ETC GROUP
(FORMERLY RURAL ADVANCEMENT FOUNDATION INTERNATIONAL (CANADA))
STATEMENT OF CASH FLOWS

Year ended August 31, 2002

	2002	2001
Operating activities		
Net income	\$ 438,161	\$ 89,071
Items not involving a current outlay of cash		
Amortization	<u>14,366</u>	<u>12,611</u>
	452,527	101,682
Net change in non-cash working capital balances		
Funding receivable	(521,307)	1,831
Accounts receivable	12,816	(67,890)
Prepaid expenses	1	(3,587)
Accounts payable	(86,992)	119,801
Deferred revenue	<u>(14,909)</u>	<u>179,607</u>
	<u>(157,864)</u>	<u>331,444</u>
Investing activities		
Purchases of capital assets	<u>(5,338)</u>	<u>(18,110)</u>
Increase (decrease) in cash	(163,202)	313,334
Cash and investments, beginning of year	596,012	282,678
Cash and investments, end of year (note 7)	<u>\$ 432,810</u>	<u>\$ 596,012</u>

See accompanying notes to financial statements.

ETC GROUP
(FORMERLY RURAL ADVANCEMENT FOUNDATION INTERNATIONAL (CANADA))
NOTES TO FINANCIAL STATEMENTS

August 31, 2002

1. GENERAL

ETC Group: Action Group on Erosion, Technology, and Concentration (formerly Rural Advancement Foundation International (Canada)), is a non-profit registered charitable organization incorporated without share capital under the Canada Corporations 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.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles and reflect the following policies:

a) Accounting estimates and assumptions

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in unrestricted net assets in the period in which they become known.

b) Cash and investments

Cash and investments consists of petty cash, cash deposited in chartered banks, foreign currency translated at the exchange rate as at August 31, 2002, and investments held in money market funds, stated in Canadian dollars as at August 31, 2002.

c) Funding receivable

Funding receivable is valued at the outstanding amount pursuant to current executed funding agreements as at August 31, 2002.

d) Capital assets

Capital assets are stated at cost. Capital assets are amortized using the straight line method at the following annual rates:

Furniture and fixtures	- 33.3%
Computer equipment	- 33.3%

e) Unrestricted net assets

Unrestricted net assets represents the accumulated surplus from operations.

ETC GROUP
(FORMERLY RURAL ADVANCEMENT FOUNDATION INTERNATIONAL (CANADA))
NOTES TO FINANCIAL STATEMENTS

August 31, 2002

f) Restricted funds

Pursuant to Board authorization, these funds have been appropriated and restricted to absorb working capital deficiencies should sources of funding not be readily available.

g) Revenue recognition

Revenue recognition policy is the deferral method of accounting wherein revenue contributions are matched to expenses in the period in which the expenses are incurred. Revenue received in advance of incurring expenses are deferred.

h) Economic relationship

A major portion of ETC Group's revenue is derived from donations and funding grants. As a result, any reduction in funding may affect ETC Group's ability to continue future operations.

i) Income taxes

ETC Group is a not-for-profit charitable organization registered under section 149.1 of the Canadian Income Tax Act, and as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

3. FUNDING RECEIVABLE

	<u>2002</u>	<u>2001</u>
Friends of ETC Group Inc.	\$ 542,500	\$ -
CBDC	<u>46,697</u>	<u>67,890</u>
	<u>\$ 589,197</u>	<u>\$ 67,890</u>

Friends of ETC Group Inc. is a charitable organization registered in USA with 501c(3) status. This organization administers the receipt of donations from USA supporters on behalf of ETC Group. Funding receivable are provided pursuant to contracts for specified research, education, and advisory work.

4. CAPITAL ASSETS

	<u>2002</u>		<u>2001</u>	
	Accumulated		Accumulated	
	<u>Cost</u>	<u>Amortization</u>	<u>Cost</u>	<u>Amortization</u>
Furniture and fixtures	\$ 17,573	\$ 13,042	\$ 17,573	\$ 11,466
Computer equipment	<u>95,738</u>	<u>88,335</u>	<u>90,400</u>	<u>75,545</u>
	<u>\$ 113,311</u>	<u>\$ 101,377</u>	<u>\$ 107,973</u>	<u>\$ 87,011</u>
Net book value	<u>\$ 11,934</u>		<u>\$ 20,962</u>	

ETC GROUP
(FORMERLY RURAL ADVANCEMENT FOUNDATION INTERNATIONAL (CANADA))
NOTES TO FINANCIAL STATEMENTS

August 31, 2002

5. DEFERRED REVENUE

	<u>2002</u>	<u>2001</u>
The Rockefeller Foundation	\$ 120,637	\$ 242,548
Canadian International Development Agency (CIDA)	-	30,000
The Greenville Foundation	-	29,600
RAFI-USA Contribution	-	15,460
Albert A. List Foundation	2,583	14,396
Foundation for Deep Ecology	-	3,750
CS Fund	155,000	-
S. Goldman	31,000	-
HKH Foundation	11,625	-
	<u>\$ 320,845</u>	<u>\$ 335,754</u>

6. ADMINISTRATION COSTS ALLOCATED TO PROJECTS

Administrative costs, including salaries and benefits, are allocated to projects on the basis of estimates prepared by the organization's management to the best of their knowledge. Contributed goods and services provided by volunteers are not valued for financial statement purposes because they are not readily estimable.

7. STATEMENT OF CASH FLOWS

Interest paid in the year, affecting cash flow is \$4,451 for 2002 (\$1,927 - 2001), and interest received during the year is \$1,511 for 2002 (\$31,230 - 2001).

Cash is comprised of:	<u>2002</u>	<u>2001</u>
Cash	\$ 405,669	\$ 596,012
Investments	27,141	-
	<u>\$ 432,810</u>	<u>\$ 596,012</u>

8. PRIOR YEAR'S COMPARATIVE FIGURES

The prior year's comparative figures were audited by another firm of chartered accountants; and have been reclassified to conform to the current year's presentation.

ETC GROUP
(FORMERLY RURAL ADVANCEMENT FOUNDATION INTERNATIONAL (CANADA))
SCHEDULE 1 - REVENUE AND EXPENSES BY PROGRAM

Year ended August 31, 2002, with comparative figures for 2001

	Core Program/ Admin	CBDC	Greenville	Terminator	Rockefeller	Education Foundation of America	Other	Total 2002	Total 2001
REVENUE									
Subsidies	\$ -	\$ 120,838	\$ 29,600	\$ 14,396	\$ 121,911	\$ 193,750	\$ -	\$ 480,495	\$ 656,943
CS Fund	155,000							155,000	-
S. Goldman	7,750							7,750	-
CIDA	130,000							130,000	120,000
SIDA	237,194							237,194	-
HKH	58,125							58,125	147,040
Deep Ecology	42,500							42,500	18,750
Albert A. List Dag	33,066							33,066	-
Hammar skjold Philanthropic Collaborative	15,500							15,500	-
Communicative Communique	-							-	7,500
Consulting	418							418	-
Donations/ Interest	(6,099)							(6,099)	18,591
Other	1,629							1,629	34,290
	27,460							27,460	23,528
	<u>702,543</u>	<u>120,838</u>	<u>29,600</u>	<u>14,396</u>	<u>121,911</u>	<u>193,750</u>	<u>-</u>	<u>1,183,038</u>	<u>1,026,642</u>
EXPENSES									
Accounting	25,752							25,752	33,046
Advertising	1,159							1,159	781
Amortization	14,367							14,367	12,610
Bank charges and interest	4,788							4,788	1,927
Books, printing, and distribution	22,586	7,649		8,578	7,082	-		45,895	39,251
Computer equipment	4,235							4,235	-
Consulting	3,715							3,715	56,066
Fees	3,715							3,715	56,066
Courier and postage	2,863							2,863	-
Fiscal									
Sponsorship	-							-	25,500
Meetings	25,392	13,262			32,300	-	116	71,071	188,289
Office	30,356						34,100	64,456	42,503
Professional									
Fees	8,178							8,178	27,866
Rent	26,547							26,547	15,706
Research	-		27,837					27,837	10,580
Telephone	24,968				159			25,126	49,487
Travel	28,418	18,231	2,290				2,574	51,513	72,064
Wages/ benefits	152,201	69,964			42,269	102,941		367,375	361,895
Admin costs, allocated to projects	(120,896)	12,161			17,926	90,809			
	<u>254,629</u>	<u>121,267</u>	<u>30,127</u>	<u>8,578</u>	<u>99,736</u>	<u>193,750</u>	<u>36,790</u>	<u>744,877</u>	<u>937,571</u>
EXCESS REVENUE (EXPENSE)	<u>\$ 447,914</u>	<u>\$ (429)</u>	<u>\$ (527)</u>	<u>\$ 5,818</u>	<u>\$ 22,175</u>	<u>\$ -</u>	<u>\$ (36,790)</u>	<u>\$ 438,161</u>	<u>\$ 89,071</u>