

Environmental Defence Canada Inc.
Financial Statements
For the year ended March 31, 2022

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Independent Auditor's Report

To the Members of
Environmental Defence Canada Inc.

Opinion

We have audited the accompanying financial statements of Environmental Defence Canada Inc. (the "Entity"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations and changes in 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 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 Opinion

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 Entity 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 opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Markham, Ontario
September 27, 2022

Environmental Defence Canada Inc.
Statement of Financial Position

March 31 2022 2021

Assets

Current

Cash (Note 2)	\$ 3,918,362	\$ 2,328,040
Investments (Note 3)	338,821	-
Contributions receivable	24,439	326,326
HST recoverable	82,585	79,377
Prepaid expenses	50,537	59,490

4,414,744 2,793,233

Capital assets (Note 4)

54,778 63,745

\$ 4,469,522 \$ 2,856,978

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 6)	\$ 277,045	\$ 175,609
Deferred contributions (Note 7)	2,565,347	1,596,145

2,842,392 1,771,754

Net Assets

Unrestricted	1,127,130	785,224
Restricted - contingency reserve (Note 8)	500,000	300,000

1,627,130 1,085,224

\$ 4,469,522 \$ 2,856,978

On behalf of the Board:

 _____ Director

_____ Director

Environmental Defence Canada Inc.
Statement of Operations and Changes in Net Assets

For the year ended March 31	2022	2021
Contribution revenue		
Corporations	\$ 140,552	\$ 91,351
Foundations	2,057,294	1,657,442
Individuals	2,232,361	1,432,300
Other	32,626	17,824
	<u>4,462,833</u>	<u>3,198,917</u>
Expenses		
Amortization	14,678	4,882
Bank charges and interest	47,040	31,129
Computer expenses	27,771	15,380
General and office	61,953	41,228
Insurance	10,148	9,920
Printing and stationery	6,812	5,113
Professional fees	118,798	86,749
Programme work	1,248,392	884,003
Rent	128,934	219,299
Telephone	28,613	15,486
Travel	2,190	174
Wages and employee benefits (Note 10)	2,220,402	1,389,232
	<u>3,915,731</u>	<u>2,702,595</u>
Excess of revenue over expenses before other income	547,102	496,322
Other income (expense)		
Gain on disposal of contributed assets	5,172	12,818
Unrealized loss on investments	(10,368)	-
	<u>(5,196)</u>	<u>12,818</u>
Excess of revenue over expenses	541,906	509,140
Unrestricted net assets, beginning of year	785,224	476,084
Net transfer to contingency reserve (Note 8)	<u>(200,000)</u>	<u>(200,000)</u>
<u>Unrestricted net assets, end of year</u>	<u>\$ 1,127,130</u>	<u>\$ 785,224</u>
Restricted net assets, beginning of year	\$ 300,000	\$ 100,000
Transfer from unrestricted fund (Note 8)	<u>200,000</u>	<u>200,000</u>
<u>Restricted net assets, end of year</u>	<u>\$ 500,000</u>	<u>\$ 300,000</u>

The accompanying notes are an integral part of these financial statements.

Environmental Defence Canada Inc.
Statement of Cash Flows

For the year ended March 31	2022	2021
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	\$ 541,906	\$ 509,140
Adjustments to reconcile excess of revenue over expenses to net cash provided by (used in) operating activities		
Amortization	14,678	4,882
Non-cash contribution (contributed assets)	-	(302,112)
Gain on disposal of contributed assets	(5,172)	(12,818)
Unrealized loss on investments	10,368	-
Changes in non-cash working capital balances		
Contributions receivable	307,059	109,519
HST recoverable	(3,208)	(16,409)
Prepaid expenses	8,953	(5,384)
Accounts payable and accrued liabilities	101,436	(11,320)
Deferred contributions	969,202	1,023,093
	1,945,222	1,298,591
Investing activities		
Increase in investments	(349,189)	-
Purchase of capital assets	(5,711)	(51,769)
Proceeds on disposal of contributed assets	-	314,930
	(354,900)	263,161
Net change in cash	1,590,322	1,561,752
Cash, beginning of year	2,328,040	766,288
Cash, end of year	\$ 3,918,362	\$ 2,328,040

Cash is comprised of the following:

Unrestricted	\$ 817,454	\$ 698,221
Restricted for future use	2,540,908	1,269,819
Restricted (Note 2)	560,000	360,000
	\$ 3,918,362	\$ 2,328,040

Environmental Defence Canada Inc.

Notes to Financial Statements

March 31, 2022

1. Summary of Significant Accounting Policies

a. Nature of Organization Environmental Defence Canada Inc. ("EDC") is incorporated without share capital and is a registered charity under the Income Tax Act (Canada) and as such, is exempt from income taxes.

EDC works with the government, industry and individuals to safeguard Canada's freshwater, tackle climate change, end plastic pollution, decrease Canadians' exposure to toxic chemicals, build a clean economy and create more livable communities. EDC conducts research, develops educational programs and engages Canadians to create awareness of issues and provides meaningful ways for people to become involved in their communities and create change in their daily lives.

b. Basis of Accounting EDC has prepared its financial statements in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

c. Financial Instruments Financial instruments quoted in an active market are recorded at fair value at initial recognition. All other related party financial instruments are recorded at cost at initial recognition.

In subsequent periods, equities traded in an active market are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

Environmental Defence Canada Inc.
Notes to Financial Statements

March 31, 2022

1. Summary of Significant Accounting Policies (continued)

d. Revenue Recognition

EDC follows the deferral method of accounting for contributions. Unrestricted contributions including pledges and unconditional promises to give, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to expenses of the current period are recognized as revenue of the current period.

Restricted contributions related to expenses of a future period or for the purchase of capital assets are deferred and recognized as revenue in the same period that the related expenses are reported.

e. Government Assistance

Funding from various levels of governments is recorded in the accounts when there is reasonable assurance that EDC has complied with, and will continue to comply with, all conditions necessary to obtain the assistance.

f. Capital Assets

Capital assets are recorded at cost and are being amortized over their estimated useful lives at the following annual rates and methods:

Computer equipment	30% declining balance
Office equipment	20% declining balance
Leasehold improvements	Straight-line, term of lease

g. Write-down of
Long-lived Assets

EDC monitors its use of capital assets and when the capital asset no longer contributes to EDC's ability to provide goods or services, or that the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount, an impairment is recognized as an expense in the statement of operations.

h. Contributed Services

Volunteers contribute an indeterminable number of hours per year to assist EDC in carrying out its service delivery activities. Given the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Environmental Defence Canada Inc.
Notes to Financial Statements

March 31, 2022

1. Summary of Significant Accounting Policies (continued)

i. Use of Estimates

The preparation of these financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Restricted Cash

Included in cash is \$500,000 (2021 - \$300,000) internally restricted by the Board to provide for payment of unforeseen contingencies and \$60,000 (2021 - \$60,000) required by the bank as security for credit cards.

3. Investments

	2022		2021	
	Fair value	Cost	Fair value	Cost
Unrestricted	\$ 338,821	\$ 349,189	\$ -	\$ -
Unrealized loss		\$ 10,368	\$ -	\$ -

Unrestricted investments are comprised of listed shares as at March 31, 2022. The cumulative unrealized loss for the year ended March 31, 2022 increased by \$10,368 (2021 - \$Nil).

4. Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 63,578	\$ 57,903	\$ 63,578	\$ 55,341
Office equipment	65,087	59,764	65,087	58,433
Leasehold improvements	94,405	50,625	88,694	39,840
	\$ 223,070	\$ 168,292	\$ 217,359	\$ 153,614
Net book value		\$ 54,778		\$ 63,745

Environmental Defence Canada Inc.
Notes to Financial Statements

March 31, 2022

5. Bank Facility

EDC has an operating line of credit facility to a maximum amount of \$100,000 bearing interest at the bank's prime rate plus 4%. The facility is secured by a general security agreement. As at March 31 2022, \$Nil (2021 - \$Nil) was drawn from this credit facility.

6. Government Remittances

Included in accounts payable and accrued liabilities are government remittances including payroll withholdings of \$26,192 (2021 - \$17,278).

7. Deferred Contributions

	<u>2022</u>	<u>2021</u>
Opening balance	\$ 1,596,145	\$ 573,052
Donations and government grants received during the year	3,120,540	2,617,645
Donations and government grants recognized as revenue in the year	<u>(2,151,338)</u>	<u>(1,594,552)</u>
Closing balance	<u>\$ 2,565,347</u>	<u>\$ 1,596,145</u>

Deferred contributions represent the corporate and foundation contributions as well as government grants that will be recognized as revenue in subsequent years when the related expenses are incurred.

8. Contingency Reserve

The contingency reserve has been set up by the Board of Directors to provide for any significant unanticipated expenditures and is internally restricted for this purpose. Net approved transfers to the contingency reserve from the unrestricted net assets for the year totaled \$200,000 (2021 - \$200,000).

9. Commitments

Minimum lease payments, exclusive of certain common costs are approximately as follows:

2023	\$ 90,600
2024	93,300
2025	96,100
2026	<u>99,000</u>
	<u>\$ 379,000</u>

Environmental Defence Canada Inc. Notes to Financial Statements

March 31, 2022

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 EDC's financial instruments that are exposed to concentrations of credit risk relate primarily to contributions receivable.

EDC's cash is also subject to credit risk. EDC mitigates this risk by maintaining its cash with major financial institutions.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. EDC is exposed to this risk through its investments.

Liquidity Risks

Liquidity risk is the risk that EDC will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, EDC will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. EDC is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, and commitments.

These risks have not changed from the prior year aside from market risk, which is new for the year ended March 31, 2022, due to the acquisition of investments.

11. Uncertainty due to COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus ("COVID-19"). On March 23, 2020, the Government of Ontario ordered the closure of all non-essential businesses effective March 24, 2020. The operations of EDC were deemed essential by the Government and continue to operate at capacity. The extent of any future impact on EDC's operations as a result of COVID-19 cannot be determined with certainty.

On March 25, 2020, the Federal Government passed into law the Temporary Wage Subsidy (TWS). This Government assistance provides employers with a waiver of expenses by way of reducing a portion of the payroll deductions that would otherwise be remitted to the Government. In the current year, EDC applied for the TWS and recorded the amount received of \$Nil (2021 - \$25,000) as an offset to its payroll liabilities.

On April 11, 2020, the Federal Government passed into law the Canada Emergency Wage Subsidy (CEWS). This subsidy program provides employers with assistance by paying a percentage of an employee's wages up to a maximum per week. EDC applied for the CEWS and recorded the amount received of \$Nil (2021 - \$440,205) as an offset to its wages and employee benefits expenses.