

Financial Statements of

ECOJUSTICE CANADA SOCIETY

Year ended October 31, 2014



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Ecojustice Canada Society

Report on the Financial Statements

We have audited the accompanying financial statements of Ecojustice Canada Society, which comprise of the statement of financial position as at October 31, 2014, the statement of operations and changes in net assets and cash flows for the year then ended and notes, comprising 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.

Auditors' 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 our 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, we consider 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

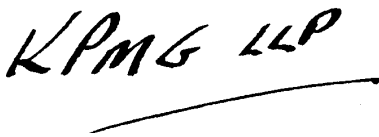
In common with many charitable organizations, Ecojustice Canada Society derives revenue from donations of cash, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of Ecojustice Canada Society and we were not able to determine whether, as at or for the years ended October 31, 2014 and 2013, any adjustments might be necessary to revenues and excess (deficiency) of revenues over expenditures reported in the statements of operations and current assets and net assets reported in the statements of financial position.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Ecojustice Canada Society as at October 31, 2014, and its results of operations and its cash flows for the year ended October 31, 2014 in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting principles in the Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis with that of the preceding year.



Chartered Accountants

March 25, 2015
Vancouver, Canada

ECOJUSTICE CANADA SOCIETY

Statement of Financial Position

October 31, 2014, with comparative information for 2013


			2014	2013
	Operating fund	Property and equipment fund	Total	Total
Assets (note 9)				
Current assets:				
Cash	\$ 46,203	\$ -	\$ 46,203	\$ 73,271
Short-term investments (note 3)	1,538,638	-	1,538,638	621,340
GST recoverable	26,967	-	26,967	20,729
Receivables	88,102	-	88,102	58,514
Prepaid expenses	103,716	-	103,716	95,655
Property held-for-sale	50,000	-	50,000	50,000
Current portion of long-term investments (note 3)	265,616	-	265,616	358,996
	2,119,242	-	2,119,242	1,278,505
Long-term investments (note 3)	1,899,114	-	1,899,114	1,646,387
Property and equipment, net (note 4)	-	93,780	93,780	114,149
	\$ 4,018,356	\$ 93,780	\$ 4,112,136	\$ 3,039,041
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 156,245	\$ -	\$ 156,245	\$ 123,260
Deferred contributions (note 5)	338,271	-	338,271	203,443
	494,516	-	494,516	326,703
Net assets (note 6)	3,523,840	93,780	3,617,620	2,712,338
Commitments (note 10)				
Subsequent event (note 11)				
	\$ 4,018,356	\$ 93,780	\$ 4,112,136	\$ 3,039,041

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

ECOJUSTICE CANADA SOCIETY

Statement of Operations and Changes in Net Assets

Year ended October 31, 2014, with comparative information for 2013

			2014	2013
	Operating fund	Property and equipment fund	Total	Total
Revenues:				
Cost award and recoveries	\$ 97,072	\$ -	\$ 97,072	\$ 35,783
Cost recoveries:				
University of Ottawa law clinic (note 10)	252,693	-	252,693	280,000
Donations (note 7):				
Other donations and bequests	2,498,120	-	2,498,120	1,414,839
Public appeals	1,927,460	-	1,927,460	1,784,735
Grants (note 7)	988,129	-	988,129	1,399,093
Investment income	78,019	-	78,019	73,495
	5,841,493	-	5,841,493	4,987,945
Expenditures:				
Amortization	-	41,871	41,871	45,327
Facilities and office	620,636	-	620,636	600,513
Fundraising	375,397	-	375,397	359,677
Human resources	132,483	-	132,483	93,502
Litigation and program support	148,086	-	148,086	146,705
Public education	136,706	-	136,706	183,780
Salaries and compensation	3,337,621	-	3,337,621	3,376,373
Science and research	63,463	-	63,463	7,033
Travel	79,948	-	79,948	89,225
	4,894,340	41,871	4,936,211	4,902,135
Excess (deficiency) of revenues over expenditures	947,153	(41,871)	905,282	85,810
Net assets, beginning of year	2,598,189	114,149	2,712,338	2,626,528
Property and equipment transfer between funds	(21,502)	21,502	-	-
Net assets, end of year (note 6)	\$ 3,523,840	\$ 93,780	\$ 3,617,620	\$ 2,712,338

See accompanying notes to financial statements.

ECOJUSTICE CANADA SOCIETY

Statement of Cash Flows

Year ended October 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Excess of revenues over expenditures:		
Operating Fund	\$ 947,153	\$ 131,137
Property and Equipment Fund	(41,871)	(45,327)
	905,282	85,810
Items not involving cash:		
Property and Equipment Fund:		
Amortization	41,871	45,327
	947,153	131,137
Changes in non-cash operating working capital:		
Operating Fund:		
Decrease (increase) in GST recoverable	(6,238)	19,322
Decrease (increase) in receivables	(29,588)	199,851
Increase in prepaid expenses	(8,061)	(52,078)
Increase in property held-for-sale	-	(50,000)
Increase (decrease) in accounts payable and accrued liabilities	32,985	(45,492)
Increase (decrease) in deferred contributions	134,828	(359,626)
Net cash flows from operating activities	1,071,079	(156,886)
Investing:		
Property and Equipment Fund:		
Purchase of property and equipment	(21,502)	(22,498)
Operating Fund:		
Purchase of investments	(1,624,096)	(263,233)
Proceeds from investments	547,451	297,538
Net cash flows from investing activities	(1,098,147)	11,807
Decrease in cash	(27,068)	(145,079)
Cash, beginning of year	73,271	218,350
Cash, end of year	\$ 46,203	\$ 73,271

See accompanying notes to financial statements.

ECOJUSTICE CANADA SOCIETY

Notes to Financial Statements

Year ended October 31, 2014

1. Purpose of the Society:

Ecojustice Canada Society (the "Society") is a not-for profit charitable organization founded for the sole purpose of providing nationwide environmental legal remedies to protect the natural environment of Canada through the promotion and enforcement of the existing laws of Canada. The Society was incorporated as a Society under the Society Act (British Columbia) in 1990. The Society is registered with Canada Revenue Agency as a charitable organization and as such, is exempt from income taxes.

2. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations.

(a) Fund accounting:

The Society reports its revenues and expenditures segregated on the basis of restrictions on use but does not physically segregate its assets on the basis of restrictions on use.

The Society follows fund accounting, giving recognition to restrictions on the use of resources specified by donors. The fund classifications are as follows:

(i) Operating Fund:

Donations not specifically designated by donors, cost award and recoveries, and investment income are recognized as revenue of the Operating Fund in the year when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Administrative costs pertaining to the Society are funded through the Operating Fund.

Restricted contributions received for specific projects related to general operations are recognized as revenue of the Operating Fund in accordance with the terms of each grant. Amounts received in advance for future expenditures after the fiscal year-end are deferred and recognized as revenue in future periods.

The Board has a policy to internally restrict funds based on a percentage of the prior year's operating expenditures to ensure the Society has sufficient resources for the current year's operations. Internally restricted financial resources may be made available subject to Board approval.

(ii) Property and Equipment Fund:

Property and equipment acquired through operating funds are recorded as transfers from the Operating Fund to the Property and Equipment Fund at their original cost.

ECOJUSTICE CANADA SOCIETY

Notes to Financial Statements

Year ended October 31, 2014

2. Significant accounting policies (continued):

(b) Revenue recognition:

The Society's right to litigation cost award and recoveries is determined on an individual case basis as determined by the Courts. Recoveries are recognized as revenue of the Operating Fund at the time the determination is made and collection is reasonably assured.

The Society follows the restricted fund method of accounting for donation and grant contributions.

- (i) Unrestricted donation and grant contributions are recognized as revenue to the operating fund in the current period.
- (ii) When the Society has externally restricted donation and grant contributions not related to general operations they are recognized as revenue to the corresponding restricted fund in the current period.

The Society recognizes net investment income as follows:

- (i) Net investment income that is not externally or internally restricted in the statement of operations in the operating fund.
- (ii) Other externally restricted net investment income in the statement of operations in the appropriate restricted fund.
- (iii) Internally restricted net investment income in the statement of operations in the appropriate restricted fund.

(c) Donations and bequests in kind and contributed services:

- (i) The Society occasionally receives donated assets. Donated assets are recorded at the estimated fair market value in cases that the fair value can be reasonably determined.
- (ii) The Society benefits greatly from contributed services in the form of volunteer time for various activities. The value of contributed services is not recognized in these financial statements as their fair value cannot be reasonably determined.

(d) Deferred contributions:

Where a donation or grant received relates to an expenditure to be incurred in a future period, the donation or grant is deferred and recognized in the future period in which the expenditure is incurred.

ECOJUSTICE CANADA SOCIETY

Notes to Financial Statements

Year ended October 31, 2014

2. Significant accounting policies (continued):

(e) Cash:

Cash includes cash on hand and short-term deposits which are highly liquid with original maturities of less than three months at the date of acquisition.

(f) Investments:

Short-term investments are comprised of term deposits and high interest savings account that are traded in an active market and are readily convertible to cash. These items are carried at market value at the date of the statement of financial position and have a maturity period of less than one year.

Long-term investments are comprised of term deposits convertible to cash. These items are carried at market value at the date of the statement of financial position and have a maturity period greater than one year.

Short-term and long-term investments are comprised of the following investments:

(i) Government securities:

The face value of these investments is guaranteed at maturity by the respective issuing government bodies.

(ii) Interest bearing securities:

Interest bearing securities consist of high interest savings accounts.

(iii) Term deposits:

Term deposits represent guaranteed investment certificates ("GICs") which are insured by the Canadian Deposit Insurance Corporation which are federally guaranteed.

(g) Property held-for-sale:

Property held-for-sale which was donated in the prior year is carried at the lower of cost and estimated net realizable value.

(h) Property and equipment:

Property and equipment are recorded at the original cost amount less accumulated amortization. Amortization is provided over the estimated useful lives of the respective assets, using the following methods and rates:

Asset	Basis	Rate
Computer equipment	Declining balance	30%
Leasehold improvements	Straight-line	3 - 5 years
Library	Declining balance	33%
Office equipment	Declining balance	20%
Software	Declining balance	30%

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Notes to Financial Statements

Year ended October 31, 2014

2. Significant accounting policies (continued):

(h) Property and equipment (continued):

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value.

(i) Foreign currency translation:

Monetary items denominated in a foreign currency and non-monetary items carried at market are adjusted at the balance sheet date to reflect the exchange rate in effect at that date. Exchange gains and losses are included in the determination of excess (deficiency) of revenues over expenditures for the period.

Amounts recorded in a foreign currency have been translated into Canadian dollars as follows:

- (i) Monetary items at the exchange rate at the statement of financial position date;
- (ii) Non-monetary items, including depreciation thereon, at historical exchange rates;
- (iii) Revenue and expenditures items at the average exchange rates; and
- (iv) Exchange gains and losses are included in the determination of excess (deficiency) of revenues over expenditures for the period.

(j) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has elected to carry all other financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

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Notes to Financial Statements

Year ended October 31, 2014

2. Significant accounting policies (continued):

(k) Use of estimates:

The preparation of the financial statements 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 reporting period. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment and valuation of receivables. Actual results could differ from those estimates.

3. Investments:

The Society invests the majority of its financial resources in interest bearing securities with varying maturity dates. The Society has two types of investments: a long-term operating reserve that the Society intends to use in case it experiences cash flow issues and a short-term investment that the Society intends to redeem for its operations as necessary.

	2014	2013
Short-term investments:		
GIC's	\$ -	\$ 50,000
High interest savings accounts	805,834	571,340
Accrued interest	4,522	-
Term deposits	728,282	-
	<u>\$ 1,538,638</u>	<u>\$ 621,340</u>

	2014	2013
Long-term investments:		
Cash and cash equivalents	\$ 20,582	\$ 24
GIC's Maturity		
2014	-	358,996
2015	265,616	265,283
2016	408,507	408,507
2017	490,199	490,199
2018	185,442	185,442
2021	102,600	102,600
2022	497,451	-
2023	194,333	194,332
	<u>2,164,730</u>	<u>2,005,383</u>
Less amounts maturing in the current year	265,616	358,996
	<u>\$ 1,899,114</u>	<u>\$ 1,646,387</u>

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Notes to Financial Statements

Year ended October 31, 2014

3. Investments (continued):

The Society holds its short-term and long-term investments with registered dealers who are members' of the Investment Industry Regulatory Organization of Canada ("IIROC"). As a result, each investment account held by the Society is insured by the Canadian Investor Protection Fund up to \$1,000,000.

4. Property and equipment:

2014	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 545,814	\$ 488,720	\$ 57,094
Leasehold improvements	38,398	29,708	8,690
Library	41,212	41,212	-
Office equipment	210,614	185,419	25,195
Software	115,346	112,545	2,801
	<u>\$ 951,384</u>	<u>\$ 857,604</u>	<u>\$ 93,780</u>

2013	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 528,752	\$ 464,250	\$ 64,502
Leasehold improvements	38,398	19,806	18,592
Library	41,212	41,212	-
Office equipment	206,173	179,120	27,053
Software	115,347	111,345	4,002
	<u>\$ 929,882</u>	<u>\$ 815,733</u>	<u>\$ 114,149</u>

Changes in net asset invested in property and equipment are as follows:

	2014	2013
Balance, beginning of year	\$ 114,149	\$ 136,978
Amortization	(41,871)	(45,327)
Purchases	21,502	22,498
Balance, end of year	<u>\$ 93,780</u>	<u>\$ 114,149</u>

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Notes to Financial Statements

Year ended October 31, 2014

5. Deferred contributions:

	2014	2013
Balance, beginning of year	\$ 203,443	\$ 563,069
Amount recognized as revenue during the year	(988,129)	(1,399,093)
Contributions received during the year	1,122,957	1,039,467
Balance, end of year	\$ 338,271	\$ 203,443

6. Net assets:

	2014		2013	
	Operating fund	Property and equipment fund	Total	Total
Internally restricted	\$ 2,113,222	\$ 93,780	\$ 2,207,002	\$ 1,977,371
Unrestricted	1,410,618	-	1,410,618	734,967
	\$ 3,523,840	\$ 93,780	\$ 3,617,620	\$ 2,712,338

Internally restricted financial resources may be made available subject to Board approval.

The Society's objectives when managing its net assets are:

- To safeguard the Society's ability to continue as a going concern;
- To ensure that it has adequate resources to complete committed projects; and
- To maintain investment risk at an appropriate level.

These objectives are accomplished through adherence to a Board adopted investment policy and maintenance of suitable reserves.

7. Grants and donations:

Included in other donations and bequests are gifts in kind of CAD nil (2013 - CAD\$50,000).

Included in grants revenues is USD\$354,891 (CAD\$380,182) (2013 - USD\$569,022 (CAD\$582,394)).

Included in donations revenues is USD\$110,948 (CAD\$120,865) (2013 - USD\$101,569 (CAD\$103,956)).

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Notes to Financial Statements

Year ended October 31, 2014

8. Financial risks:

The Society is subject to the following risks:

(a) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2013.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. It is management's opinion that the Society is not exposed to significant credit risks. There has been no change to the risk exposures from 2013.

(c) Interest rate risk:

The Society is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed-rate instruments subject the Society to a fair value risk. The Society is exposed to this type of risk as a result of investments in GICs and high interest savings accounts. The risk associated with investments is managed through the Society's established investment policy. There has been no change to the risk exposures from 2013.

(d) Currency risk:

The Society is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of operations, the Society receives grants and donations denominated in U.S. dollars. The Society does not currently enter into forward contracts to mitigate this risk. It is management's opinion that the Society is not exposed to significant currency risks. There has been no change to the risk exposure from 2013.

9. Operating line of credit:

The Society maintains an operating line of credit of \$100,000. The operating line bears interest at the bank's prime rate plus 2%. Interest is calculated monthly and payable on the last day of each month. The operating line is secured by a general security agreement against all present and after acquired property. At October 31, 2014, the amount outstanding in the operating line of credit is nil (2013 - nil).

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Notes to Financial Statements

Year ended October 31, 2014

10. Commitments:

- (a) The Society is committed to the following future minimum payments under operating leases for premises, donor relation and information technology services over the next three years of approximately the following:

2015	\$ 164,243
2016	20,207
2017	18,523
	<hr/>
	\$ 202,973

- (b) In 2012 the Society reached an agreement with the University of Ottawa ("U of O") Faculty of Law and Faculty of Science to operate an environmental law and policy clinic on the U of O campus. Under the terms of the agreement, the Society operates the clinic and recovers a majority of related costs from the U of O. The Society has committed to contribute a minimum of \$200,000 (\$100,000 per year) over the next year, to fund the clinic. The Faculty of Law has committed to contribute a minimum of \$200,000, over the next fiscal year to the Society to be used for the sole purpose of operation of the clinic. The contract ends October 31, 2015.

During the year, the Society contributed \$408,647 (2013 - \$449,740) towards the operation of the clinic.

During the year, the Society received \$252,693 (2013 - \$280,000) from U of O in accordance with the agreement.

11. Subsequent event:

On December 4, 2014, the Society received the Imagine Canada Accreditation which allows the Society to use the Standard Programs Trustmark on their communications. The goal of the Imagine Canada Standards Program is to increase the transparency of charities and non-profits to strengthen the public confidence in individual charitable and nonprofit organizations, as well as, the sector as a whole by improving the processes in five foundational areas: board governance, financial accountability and transparency, fundraising, staff management, and volunteer involvement.