

Financial Statements of

# **ECOJUSTICE CANADA SOCIETY**

Year ended October 31, 2012



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## INDEPENDENT AUDITORS' REPORT

To the Members of Ecojustice Canada Society

We have audited the accompanying financial statements of Ecojustice Canada Society, which comprise of the statement of financial position as at October 31, 2012, the statements 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 generally accepted accounting principles, 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 the auditor's 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, the auditor considers 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 audit opinion.

### *Basis for Qualified Opinion*

In common with many charitable organizations, the 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 the Society and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenditures and net assets.

*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, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Society Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, flowing style.

Chartered Accountants

April 10, 2013

Vancouver, Canada

# ECOJUSTICE CANADA SOCIETY

## Statement of Financial Position

October 31, 2012, with comparative information for 2011

	2012			2011	
	Operating Fund	Property and Equipment Fund	Litigation Fund	Total	Total (note 11)
<b>Assets</b> (note 8)					
Current assets:					
Cash	\$ 218,350	\$ -	\$ -	\$ 218,350	\$ 12,880
Short term investments	2,661,028	-	-	2,661,028	2,719,853
GST / HST recoverable	40,051	-	-	40,051	91,522
Receivables	258,365	-	-	258,365	269,549
Prepaid expenses	43,577	-	-	43,577	41,750
	3,221,371	-	-	3,221,371	3,135,554
Property and equipment, net (note 3)	-	136,978	-	136,978	154,240
	\$ 3,221,371	\$ 136,978	\$ -	\$ 3,358,349	\$ 3,289,794

## Liabilities

Current liabilities:					
Accounts payable and accrued liabilities	\$ 168,752	\$ -	\$ -	\$ 168,752	\$ 170,091
Deferred contributions (note 4)	563,069	-	-	563,069	397,459
	731,821	-	-	731,821	567,550


<b>Net assets</b> (note 5)	2,489,550	136,978	-	2,626,528	2,722,244
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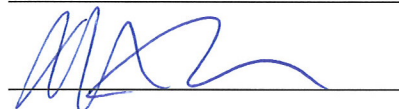
Commitments (note 10)

	\$ 3,221,371	\$ 136,978	\$ -	\$ 3,358,349	\$ 3,289,794
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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, 2012, with comparative information for 2011

	2012			2011	
	Operating Fund	Property and Equipment Fund	Litigation Fund	Total	Total
					(note 11)
Revenues:					
Foundation grants (note 6)	\$ 1,304,815	\$ -	\$ -	\$ 1,304,815	\$ 1,109,198
Cost award and recoveries	126,180	-	-	126,180	749,737
Cost recoveries -					
University of Ottawa law clinic	200,000	-	-	200,000	228,532
Donations (note 6):					
Public appeals	1,781,945	-	-	1,781,945	1,856,362
Other donations and bequests	1,283,340	-	-	1,283,340	1,185,661
Investment income	67,136	-	-	67,136	44,933
	4,763,416	-	-	4,763,416	5,174,423
Expenditures:					
Amortization	-	51,047	-	51,047	55,755
Facilities and office	614,165	-	-	614,165	553,061
Fundraising	354,934	-	-	354,934	456,481
Human resources	105,498	-	-	105,498	88,044
Litigation and program support	156,154	-	-	156,154	156,031
Public education	206,281	-	-	206,281	197,745
Salaries and compensation	3,258,658	-	-	3,258,658	2,965,937
Science and research	18,273	-	-	18,273	29,676
Travel	94,122	-	-	94,122	154,345
	4,808,085	51,047	-	4,859,132	4,657,075
Excess (deficiency) of revenues over expenditures	(44,669)	(51,047)	-	(95,716)	517,348
Net assets, beginning of year	2,318,004	154,240	250,000	2,722,244	2,204,896
Property and equipment transfer between funds	(33,785)	33,785	-	-	-
Litigation transfer between funds	250,000	-	(250,000)	-	-
Net assets, end of year	\$ 2,489,550	\$ 136,978	\$ -	\$ 2,626,528	\$ 2,722,244

See accompanying notes to financial statements.

# ECOJUSTICE CANADA SOCIETY

## Statement of Cash Flows

Year ended October 31, 2012, with comparative information for 2011

	2012	2011
		(note 11)
Cash provided by (used in):		
Operations:		
Excess of revenues over expenditures:		
Operating Fund	\$ (44,669)	\$ 573,103
Property and Equipment Fund	(51,047)	(55,755)
	(95,716)	517,348
Items not involving cash:		
Property and Equipment Fund:		
Amortization	51,047	55,755
Operating Fund:		
Unrealized (gain) loss on adjustment of short term investments to fair value	(401)	(15,884)
	50,646	39,871
Changes in non-cash operating working capital:		
Operating Fund:		
Decrease (increase) in GST / HST recoverable	51,471	(56,912)
Decrease (increase) in receivables	11,184	(113,432)
Increase in prepaid expenses	(1,827)	(8,338)
Decrease in accounts payable and accrued liabilities	(1,339)	(2,654)
Increase in deferred contributions	165,610	155,750
	180,029	531,633
Investing:		
Property and Equipment Fund:		
Purchase of property and equipment	(33,785)	(122,639)
Operating Fund:		
Purchase of short term investments	(1,937,543)	(2,756,992)
Proceeds from sale of short term investments	1,996,769	2,299,926
	(25,441)	(579,705)
Increase (decrease) in cash	205,470	(48,072)
Cash, beginning of year	12,880	60,952
Cash, end of year	\$ 218,350	\$ 12,880

See accompanying notes to financial statements.

# ECOJUSTICE CANADA SOCIETY

Notes to Financial Statements

Year ended October 31, 2012

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## 1. Operations:

Ecojustice Canada Society (the "Society") as a registered charity is exempt from tax under the Income Tax Act. The Society's purpose is to provide nationwide environmental legal remedies to protect the natural environment of Canada through the promotion and enforcement of the existing laws of Canada.

## 2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows:

### (a) Fund accounting:

The Society follows the restricted fund method of accounting for contributions, thereby recognizing restricted contributions and investment income as revenue in the appropriate restricted funds as specified by donors. The fund classifications are:

#### (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.

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

#### (ii) Property and Equipment Fund:

Property and equipment acquired through operating funds are recorded as expenditures in the Operating Fund and as additions to property and equipment in the Property and Equipment Fund at their original cost.

#### (iii) Litigation Fund:

The Society has established this fund to ensure the completion of current cases, the terms of which extend beyond the Society's assured funding periods.

# ECOJUSTICE CANADA SOCIETY

Notes to Financial Statements

Year ended October 31, 2012

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## 2. Significant accounting policies (continued):

### (b) Donated services and assets:

Volunteers donate time and expertise to the Society for various activities. However, since no objective basis exists for recording and assigning fair value, no amount has been reflected in the financial statements relating to these services.

Contribution of assets that would have otherwise been purchased, are recorded at fair value at the date of contribution, provided fair value can be reasonably determined.

### (c) Short term investments:

Short term investments are comprised of term deposits, fixed income securities and money market funds that are readily convertible to cash. These items are carried at market value at the date of the statement of financial position.

### (d) Property and equipment:

Property and equipment are stated at cost, less accumulated amortization. Amortization is provided using the following methods and annual rates:

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

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.

### (e) 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 net income for the period.



# ECOJUSTICE CANADA SOCIETY

## Notes to Financial Statements

Year ended October 31, 2012

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### 2. Significant accounting policies (continued):

#### (e) Foreign currency translation (continued):

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

- (i) Monetary items at the exchange rate at the balance sheet date;
- (ii) Non-monetary items, including depreciation thereon, at historical exchange rates;
- (iii) Revenue and expense items at the historical exchange rates; and
- (iv) Exchange gains and losses are included in the determination of net income for the period.

#### (f) Financial instruments:

Financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale or other financial liabilities. All financial instruments are included on the balance sheet and initially measure at fair value. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in revenue or expense in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses recognized as changes in net assets until the financial asset is disposed of or become impaired. Held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method.

Cash, short term investments and marketable securities are classified as held-for-trading and are recorded at fair value. The Society has designated receivables as loans and receivable and its accounts payable as other financial liabilities, and has measured these instruments at amortized cost, which approximates fair value.

#### (g) 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 year. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, valuation of receivables and recognition of deferred contributions. Actual results could differ from those estimates.

# ECOJUSTICE CANADA SOCIETY

Notes to Financial Statements

Year ended October 31, 2012

## 2. Significant accounting policies (continued):

### (h) Future accounting standards:

In December 2010, the Accounting Standards Board of the CICA released the accounting standards impacting the future financial reporting framework for Not-for-Profit organizations. Under these new accounting standards, Not-for-Profit that are not controlled by a government, such as the Society, will apply the Account Standards for Not-for-Profit Organizations contained in Part III of the CICA Handbook - Accounting ("Part III") or International Financial Reporting Standards. Part III is effective for fiscal years commencing on or after January 1, 2012. The Society is evaluating the impact of adopting either of these standards.

## 3. Property and equipment:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
				(note 11)
Computer equipment	\$ 517,693	\$ 436,607	\$ 81,086	\$ 87,765
Leasehold improvements	26,959	10,600	16,359	20,836
Library	41,212	41,212	-	-
Office equipment	206,173	172,357	33,816	37,646
Software	115,347	109,630	5,717	7,993
	\$ 907,384	\$ 770,406	\$ 136,978	\$ 154,240

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

	2012	2011
		(note 11)
Balance, beginning of year	\$ 154,240	\$ 87,356
Amortization	(51,047)	(55,755)
Purchases	33,785	122,639
Balance, end of year	\$ 136,978	\$ 154,240

# ECOJUSTICE CANADA SOCIETY

Notes to Financial Statements

Year ended October 31, 2012

## 4. Deferred contributions:

	2012	2011
		(note 11)
Balance, beginning of year	\$ 397,459	\$ 241,709
Amount recognized as revenue during the year	(1,315,395)	(1,109,198)
Contributions received during the year	1,481,005	1,264,948
Balance, end of year	\$ 563,069	\$ 397,459

## 5. Net assets:

				2012	2011
	Operating Fund	Property and Equipment Fund	Litigation Fund	Total	Total
					(note 11)
Internally restricted	\$ 1,863,222	\$ 136,978	\$ -	\$ 2,000,200	\$ 1,694,462
Unrestricted	626,328	-	-	626,328	1,027,782
	\$ 2,489,550	\$ 136,978	\$ -	\$ 2,626,528	\$ 2,722,244

## 6. Foundation grants and donations:

Included in foundation grants revenues is \$392,478 USD (\$395,840 CAD) (2011 - \$291,532 USD (\$287,445 CAD)). Included in donation revenues is approximately \$155,200 USD (\$156,134 CAD) (2011 - \$150,000 USD (\$148,350 CAD)).

## 7. Financial risks:

It is management's opinion that the Society is not exposed to significant interest, currency or credit risk arising from the financial instruments.

## 8. 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, 2012 the amount outstanding in the operating line of credit is nil (2011 - nil).

# ECOJUSTICE CANADA SOCIETY

Notes to Financial Statements

Year ended October 31, 2012

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## 9. Capital management:

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

The Society's objectives when managing its capital are:

- (a) To safeguard the Society's ability to continue as a going concern;
- (b) To ensure that it has adequate resources to complete committed projects; and
- (c) 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.

## 10. Commitment:

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

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2013	\$	232,653
2014		215,966
2015		164,243
2016		20,207
2017		18,523
	\$	651,592

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During the year, the Society with the approval of the University of Ottawa (U of O), Faculty of Law has expanded to collaborate on their operations of an environmental law and policy clinic on the U of O campus by including the Faculty of Science. 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 \$300,000 over the next three years, \$100,000 per year, to fund the clinic. The Faculty of Law has committed to contribute a minimum of \$600,000 over the next three fiscal years, \$200,000 per year, and the Faculty of Science has committed \$80,000 for 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.

## 11. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year's earnings.