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**ENVIRONMENTAL DEFENCE CANADA
INC.
FINANCIAL STATEMENTS
MARCH 31, 2014**

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ENVIRONMENTAL DEFENCE CANADA INC.

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Environmental Defence Canada Inc.

We have audited the accompanying financial statements of Environmental Defence Canada Inc, which comprise the statement of financial position as at March 31, 2014 and the statements of operations and changes in net assets and cash flows for the year then ended and 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.

Auditor's 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 is sufficient and appropriate to provide a basis for our audit opinion.

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Basis for Qualified Opinion

In common with many charitable agencies, Environmental Defence Canada Inc. derives a portion of its revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of 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 donation and fundraising revenue, (deficiency) excess of revenue over expenses, statement of financial position and changes in net assets.

Qualified Opinion

In our opinion, except for the 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 Environmental Defence Canada Inc. as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Cunningham LLP



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
September 24, 2014

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ENVIRONMENTAL DEFENCE CANADA INC. STATEMENT OF FINANCIAL POSITION MARCH 31, 2014

	2014	2013
ASSETS		
Current		
Cash (Note 3)	\$ 803,037	\$ 1,015,784
Contributions receivable	62,180	37,560
HST recoverable	126,005	147,557
Prepaid expenses and other assets	70,214	72,976
	1,061,436	1,273,877
Investment	-	102,812
Capital assets (Note 4)	63,703	62,002
	\$ 1,125,139	\$ 1,438,691
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 245,300	\$ 258,184
Deferred contributions	534,708	544,523
	780,008	802,707
NET ASSETS		
Unrestricted	96,482	284,866
Contingency reserve (Note 7)	248,649	351,118
	345,131	635,984
	\$ 1,125,139	\$ 1,438,691

Approved on behalf of the Board:



See notes to financial statements

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ENVIRONMENTAL DEFENCE CANADA INC. STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013
CONTRIBUTION REVENUE		
Corporations	\$ 787,261	\$ 1,033,719
Foundations	1,574,814	1,787,532
Governments	99,150	53,925
Individuals	1,004,241	926,246
Other	22,779	46,147
	3,488,245	3,847,569
EXPENSES		
Amortization	15,312	15,575
Bank charges and interest	27,859	30,196
Communications	30,357	61,039
Computer expenses	19,159	14,023
Contracted services	907,659	770,262
General and office	127,880	100,877
Insurance	13,338	14,463
Printing and stationery	12,509	20,752
Professional fees	83,180	121,701
Programme work	654,489	778,421
Recruitment	-	7,087
Rent	137,093	123,211
Telephone	22,207	25,269
Travel	5,742	3,474
Wages and employee benefits	1,722,314	1,610,267
	3,779,098	3,696,617
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	(290,853)	150,952
Net assets, beginning of year	284,866	185,032
Net transfers from (to) contingency reserve (Note 7)	102,469	(51,118)
NET ASSETS, END OF YEAR	\$ 96,482	\$ 284,866

See notes to financial statements

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ENVIRONMENTAL DEFENCE CANADA INC. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013
Cash Flows From Operating Activities:		
(Deficiency) excess of revenue over expenses	\$ (290,853)	\$ 150,952
Add item not affecting cash:		
Amortization	15,312	15,575
	(275,541)	166,527
Changes in non-cash working capital		
Contributions receivable	(24,620)	46,180
HST recoverable	21,552	(5,449)
Prepaid expenses and other assets	2,762	(37,777)
Accounts payable and accrued liabilities	(12,884)	6,454
Deferred contributions	(9,815)	(200,971)
	(298,546)	(25,036)
Cash Flows From Investing Activities:		
Investment - net	102,812	(1,255)
Purchase of capital assets	(17,013)	(17,558)
	85,799	(18,813)
Net decrease in cash during the year	(212,747)	(43,849)
Cash, beginning of year	1,015,784	1,059,633
Cash, end of year	\$ 803,037	\$ 1,015,784

See notes to financial statements

ENVIRONMENTAL DEFENCE CANADA INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

1. PURPOSE OF ORGANIZATION

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

EDC provides Canadians with the tools and knowledge they need to protect and improve their environment and health. EDC is a national, charitable organization committed to engaging the public, finding solutions, and advancing the environmental rights of future generations.

EDC's charitable status is currently being reviewed by the Canada Revenue Agency ("CRA"). EDC continues to provide documentation to the CRA to support its activities and the Board of Directors of EDC have determined that the information provided to the CRA is sufficient. The outcome of CRA's review is currently not determinable.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Financial Instruments

Measurement of Financial Instruments

EDC initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. EDC subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash and contributions receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. 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, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. Reversals are recognized in net income.

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ENVIRONMENTAL DEFENCE CANADA INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

EDC follows the deferral method of accounting for contributions. 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 capital assets are deferred and recognized as revenue in the same period that the related expenses are reported.

Contributed Services

Volunteers contribute an indeterminable amount 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.

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.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to EDC's ability to provide services, its carrying amount is written down to its residual value.

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

Computer equipment	- 30% declining balance
Office equipment	- 20% declining balance
Leasehold improvements	- 5 years straight-line

ENVIRONMENTAL DEFENCE CANADA INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Uncertainty

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Significant areas requiring the use of estimates include determination of useful lives for amortization of capital assets. Actual results could differ from these estimates.

3. RESTRICTED CASH

Included in cash is \$248,649 (2013 - \$248,649) that is internally restricted by the Board to provide for payment of unforeseen contingencies, \$534,708 (2013 - \$544,523) that is externally restricted for special purposes and \$60,000 (2013 - \$60,000) that is required by the bank as security for credit cards.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	2014 Net	2013 Net
Computer equipment	\$ 45,772	\$ 36,738	\$ 9,034	\$ 7,886
Office equipment	65,087	33,378	31,709	31,050
Leaschold improvements	37,553	14,593	22,960	23,066
	\$ 148,412	\$ 84,709	\$ 63,703	\$ 62,002

5. BANK FACILITY

EDC has an operating line of credit facility to a maximum of \$200,000 bearing interest at the bank's prime rate plus 4%. The facility is secured by a general security agreement. As at March 31, 2014 and March 31, 2013 this facility was not utilized.

6. GOVERNMENT LIABILITIES

As at March 31, 2014 and March 31, 2013, there are no amounts payable in respect of government remittances.

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7. CONTINGENCY RESERVE

The contingency reserve has been set up by the Board to provide for any significant unanticipated expenditure and is internally restricted for this purpose. Net approved transfers from the contingency reserve to the unrestricted net assets in the year totaled \$102,469 (2013 - transfers from the unrestricted net assets to the contingency reserve totaled \$51,118).

8. COMMITMENTS

EDC has entered into a lease agreement for its premises expiring in 2016. Minimum lease payments, exclusive of certain common costs, in the aggregate and each of the next three years are approximately as follows:

Year ending March 31, 2015	\$	74,896
2016		77,041
2017		6,436
	\$	158,373

9. FINANCIAL INSTRUMENTS

Risks and Concentrations

EDC is exposed to various risks through its financial instruments. The following analysis provides a measure of EDC's risk exposure and concentrations as at March 31, 2014. Unless otherwise noted, it is management's opinion that EDC is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments.

