Consolidated Financial Statements of

ECOTRUST CANADA

Year ended December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Members of Ecotrust Canada

We have audited the accompanying consolidated financial statements of Ecotrust Canada, which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ecotrust Canada as at December 31, 2015 and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

June 22, 2016
Burnaby, Canada

ECOTRUST CANADA

Consolidated Statement of Financial Position

December 31, 2015, with comparative information for 2014

		2015		2014
Assets				
Current assets:				
Cash and cash equivalents	$	776,466	$	185,737
Accounts receivable (note 3)		230,440		501,566
Goods and service tax receivable		-		11,172
Inventory		42,684		41,041
Prepaid expenses		77,797		64,162
Current portion of loans receivable (note 5)		-		22,500
		1,127,387		826,178
Investments and loans receivable, net of valuation allowance of $408,572 (2014 - $393,573) (note 5)		939,891		948,521
Tangible and intangible capital assets (note 6)		182,980		236,339
	$	2,250,258	$	2,011,038
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	$	299,294	$	214,811
Goods and service tax payable		21,730		-
Deferred contributions (note 7)		197,032		182,104
Deferred revenue		169,222		40,396
Demand loans payable (note 8)		98,673		217,111
Tenant's deposit liability		20,031		10,857
Current portion of obligations under capital lease (note 9)		5,965		5,602
		811,947		670,881
Deferred capital contributions (note 10)		12,840		1,560
Deferred lease liability		19,905		
Lease inducement		137,329		174,783
Obligations under capital lease (note 9)		7,041		13,006
		989,062		860,230
Net assets		1,261,196		1,150,808
Commitments (note 11)				
	$	2,250,258	$	2,011,038

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

_______________ Director _______________ Director

ECOTRUST CANADA

Consolidated Statement of Operations and Changes in Net Assets

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Contributions	$ 559,244	$ 755,787
Consulting	1,698,066	1,189,692
Dividend and investment income	26,484	417
Other income	96,971	15,069
Rental Income	240,656	84,926
	2,621,421	2,045,891
Expenses:		
Amortization	65,002	64,356
Audit and legal	73,308	67,678
Bad debts	29,434	6,278
Bank charges and interest	17,637	20,071
Contracts and consulting	299,595	158,527
Donations	-	3,000
Dues and memberships	3,128	6,913
Foreign exchange gain	(16,525)	(1,368)
Insurance	23,110	18,846
Gain on disposal of capital assets	(90)	(450)
Occupancy and utilities	276,341	141,565
Office	22,544	33,758
Other (recovery)	(62,578)	(21,925)
Printing	25,064	22,220
Repairs	54,627	16,448
Salaries and benefits	1,355,575	1,344,472
Supplies	162,779	54,721
Telephone	34,638	33,593
Training and recruitment	35,722	4,444
Travel	111,722	107,656
	2,511,033	2,080,803
Excess (deficiency) of revenue over expenses before impairment	110,388	(34,912)
Impairment of loans receivable	-	(200,000)
Excess (deficiency) of revenue over expenses	$ 110,388	$ (234,912)
Net assets, beginning of year	1,150,808	1,385,720
Net assets, end of year	$ 1,261,196	$ 1,150,808

See accompanying notes to consolidated financial statements.

ECOTRUST CANADA

Consolidated Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash flows provided by (used in):		
Operating:		
Excess (deficiency) of revenue over expenses	$ 110,388	$ (234,912)
Non-cash items:		
Amortization of deferred capital contributions	(3,720)	(18,051)
Amortization of lease inducement	(37,454)	-
Deferred lease liability	19,905	-
Loans payable forgiven	(24,999)	(10,000)
Amortization	65,002	64,356
Gain on disposal of tangible capital assets	(90)	(450)
Impairment of loans receivable	-	200,000
Changes in non-cash operating working capital:		
Accounts and goods and service tax receivable	282,298	11,967
Inventory	(1,643)	(1,513)
Prepaid expenses	(13,635)	(27,500)
Accounts payable, accrued liabilities and goods and service tax payable	106,213	(14,968)
Deferred revenue and deferred contributions	143,754	55,147
Tenant deposit liability	9,174	10,857
	655,193	34,933
Financing:		
Proceeds from loans	50,561	28,111
Proceeds from deferred capital contributions	15,000	2,000
Proceeds from lease inducement	-	174,783
Repayment of capital lease obligations	(5,602)	-
Repayment of loans payable	(144,000)	-
	(84,041)	204,894
Investing:		
Purchase of tangible and intangible capital assets	(11,553)	(211,433)
Net dispositions of short-term investments	-	2,972
Repayments of loans receivable	41,870	5,844
Advances of loans receivable	(10,740)	(7,500)
	19,577	(210,117)
Increase in cash and cash equivalents	590,729	29,710
Cash and cash equivalents, beginning of year	185,737	156,027
Cash and cash equivalents, end of year	$ 776,466	$ 185,737

See accompanying notes to consolidated financial statements.

Non-cash items:		
Equipment acquired under capital lease	$ -	$ 18,608

1. Operations:

Ecotrust Canada ("Ecotrust") is incorporated under the Canada Not-for-profit Corporations Act as a non-profit organization. It is a Canada Revenue Agency registered charity (89474 9969-RR001), which is exempt from Canadian income taxes. Ecotrust, in alliance with affiliated organizations in the U.S., promotes the emergence of a conservation economy in the coastal temperate rain forests of British Columbia and, more broadly, North America. Ecotrust supports the work of conservation entrepreneurs, First Nations and community organizations.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Standards in Part III of the CICA Handbook, including the following significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements include the accounts of Ecotrust Canada and its wholly owned for-profit subsidiaries, Ecotrust Canada Capital Corporation and The AMP Collective Ltd. (formerly 0992462 B.C. Ltd.). Size Nine Holdings Limited, a controlled for-profit subsidiary, is recorded using the equity method. All inter-organizational transactions and balances have been eliminated on consolidation.

(b) Investments:

Ecotrust uses the equity method as a basis of accounting for investments in for-profit entities over which it exercises significant influence or controls, as described in note 4. Under the equity method, Ecotrust records these investments initially at cost and the carrying amounts are adjusted thereafter to include Ecotrust's pro-rata share of post-acquisition earnings/losses of the investees, computed by the consolidation method. The adjustments are included in the determination of excess (deficiency) of revenue over expenses by Ecotrust, and the investment accounts of Ecotrust are also increased or decreased to reflect Ecotrust's share of capital transactions and changes in accounting policies and corrections of errors relating to prior period financial statements applicable to post-acquisition periods. Profit distributions received or receivable from investees reduce the carrying amounts of the investments. Unrealized intercompany gains or losses are eliminated.

Investments not subject to control or significant influence are recorded at historical cost net of any impairment.

2. Significant accounting policies (continued):

(c) Contributed services:

A substantial number of individuals have contributed significant time and expertise to Ecotrust, especially in projects and research, as well as in operations and fundraising. However, since no objective basis exists for determining fair values, no amounts have been recorded in the consolidated financial statements relating to these services.

(d) Revenue recognition:

Revenue from contributions is recognized using the deferral method. Under this method, restricted contributions and investment income are recognized in the period the related expenses are incurred or the restrictions are met. Contributions for depreciable capital assets are deferred and amortized on the same basis as the underlying asset.

Unrestricted revenue is recognized when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured. However, to the extent revenue is for services rendered, such revenue is recognized at the time services are provided.

(e) Foreign currency transactions:

Ecotrust uses the temporal method to translate foreign currency transactions. Monetary assets and liabilities are translated into Canadian dollars at the year-end exchange rate. Non-monetary assets and liabilities are translated at the historical rate. Foreign currency transactions are translated into Canadian dollars at the rate of exchange in effect at the transaction date.

(f) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit and short-term deposits with initial maturity terms equal to or less than 90 days.

(g) Accounts and loans receivable:

All accounts and loans receivable are initially recorded at their fair value and subsequently at amortized cost, net of allowances for loan impairment. When a loan is deemed to be impaired, its carrying amount is reduced to its estimated realizable amount, which is measured by discounting the expected future cash flows at the effective interest rate inherent in the loans.

(h) Inventories:

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted-average cost basis and includes all costs of purchases and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. A provision for shrinkage and obsolescence is calculated based on historical experience. Management reviews the provision annually to assess whether based on economic conditions it is adequate.

2. Significant accounting policies (continued):

(i) Tangible and intangible capital assets:

Tangible and intangible capital assets are originally recorded at cost. Contributed assets are recorded at their fair values at the date of contribution. Repairs and maintenance costs are charged to the consolidated statement of operations. When a tangible or intangible capital asset no longer contributes to services provided by Ecotrust, its carrying amount is written down to its residual value.

Amortization is provided on a straight-line basis based over the assets' estimated useful lives over the following periods:

Asset	Years
Furniture and equipment	5 - 7
Computers - hardware and software	3 - 5
Leasehold improvements	Lesser of useful life and remaining lease term

Assets acquired under capital lease are amortized either over the term of the lease or on a straight-line basis over the assets' useful lives using the periods above.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent liabilities. Areas requiring significant management estimate include the valuation of accounts receivable, valuation of long-term investments, valuation of loans receivable, the fair value of capital assets contributed and the useful lives of capital assets. Actual results could differ from the estimates.

(k) 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 recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. Ecotrust has not elected to carry any such 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, which are amortized using the straight-line method.

2. Significant accounting policies (continued):

(k) Financial instruments (continued):

Financial assets carried at cost or amortized cost 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, Ecotrust 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 Ecotrust 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 carrying value.

3. Accounts receivable:

	2015	2014
Accounts receivable	$ 233,323	$ 502,516
Allowance for impairment	(2,883)	(950)
	$ 230,440	$ 501,566

4. Long-term investments:

Ecotrust retains an interest in Climate Smart Businesses Inc. (“Climate Smart”) and Size Nine Holdings Ltd. (“Size Nine”); however, based on the results of these entities’ operations and management’s assessed impairments, they continue to be recorded at $nil (2014 - nil).

(a) As at December 31, 2015, Ecotrust owned 50%, a non-controlling interest, (2014 – 50%) in Climate Smart, a for-profit entity. Ecotrust accounts for the investment under the equity method. During 2015, Climate Smart generated income of approximately $32,778 (2014 – losses of $41,496) and had an accumulated deficit of approximately $1,117,932 (2014 - $1,150,710) as at that date. As a result, Ecotrust continues to record its investment in Climate Smart at $nil (2014 - nil).

4. Long-term investments (continued):

(b) As at December 31, 2015, Ecotrust owned 75% (2014 – 75%) of the outstanding shares of Size Nine, a controlled for-profit organization. Ecotrust accounts for the investment under the equity method. During 2015, Ecotrust continued to review the assets of Size Nine and, in relation to a secured mortgage due from Size Nine to Vancity, it was determined by management that there were insufficient assets to support the valuation of the investment in Size Nine. As a result, at December 31, 2015 the value of this investment remains at $nil (2014 - nil).

Financial position:	2015	2014
Assets	$ 559,219	$ 723,442
Liabilities	700,979	883,961
Net assets (deficit)	$ (141,760)	$ (160,519)

Results of operations:	2015	2014
Revenue	$ 72,100	$ 75,912
Expenses	53,341	61,970
Excess of revenue over expenses	$ 18,759	$ 13,942

Cash flows:	2015	2014
Cash from operations, financing and investing, being an increase (decrease) in cash	$ 24,953	$ (9,302)

5. Investments and loans receivable:

		2015		2014
Loans receivable:				
Size Nine loan receivable (a)	$	250,837	$	250,837
Size Nine other receivable (b)		11,615		30,986
Boat Basin Foundation (c)		410,740		400,000
Other receivables		318,271		325,771
Allowance for impairment		(408,572)		(393,573)
		582,891		614,021
Current portion		-		22,500
		582,891		591,521
Investments:				
Pacific Coast Fish Conservation Company (“PCFCC”) (d)		357,000		357,000
	$	939,891	$	948,521

Ecotrust engages in community development lending through its Natural Capital Fund. The purpose of this fund is to promote environmentally responsible industry and trade for the benefit of economically challenged communities in the coastal British Columbia region. Loans issued are interest bearing with rates ranging from 0% to 7%. Repayment terms vary between two and ten years.

(a) The loan receivable from Size Nine relates to a mortgage in the amount of $250,837 (2014 - $250,837). This amount bears interest at the prime rate plus 3% and is secured by a second charge over the land and property of Size Nine. Ecotrust has agreed to waive interest in each of the past three years.

(b) The receivable from Size Nine in the amount of $11,615 (2014 - $30,986) is a result of a previous share re-purchase and is non-interest bearing.

(c) The loan receivable from Boat Basin Foundation (“the Foundation”) in the amount of $400,000 (2014 - $400,000) includes principal of $400,000 and accrued interest in the amount of $10,740 (2014 - $nil). On March 25, 2015, an agreement with the Foundation was reached with an effective date of June 30, 2014, whereby Ecotrust would reduce the previous receivable balance owing to $400,000, payable on March 27, 2022, in return for receiving a first charge over the Foundation’s real property. The terms included interest accruing at a rate of 3.5% beginning March 27, 2015 for the duration of the loan, payable upon maturity.

(d) The investment in PCFCC in the amount of $357,000 is recorded at cost and secured by the rights to fishing licenses and quotas purchased.

6. Tangible and intangible capital assets:

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Furniture and equipment	$ 69,001	$ 29,899	$ 39,102	$ 44,991
Computers – hardware and software	146,598	140,599	5,999	15,865
Leasehold improvements	188,017	50,138	137,879	175,483
	$ 403,616	$ 220,636	$ 182,980	$ 236,339

7. Deferred contributions:

	2015	2014
Balance, beginning of year	$ 182,104	$ 140,423
Contributions received	314,622	550,721
Amounts spent and recognized as revenue in the year	(299,694)	(509,040)
Balance, end of year	$ 197,032	$ 182,104

8. Demand loans payable:

	2015	2014
Demand loan payable to Ethical Investor Group, with interest at 2.5% per annum, interest-only payable annually, unsecured, maturing on December 7, 2018.	$ 20,000	$ 20,000
Demand loan payable to Greater Vancouver Community Assistance Foundation, non-interest bearing, unsecured, maturing on September 30, 2019.	78,673	28,111
Demand loan payable to Size Nine, with interest at prime plus 4%, the loan matures on December 15, 2015. The amount was repaid in full during the year.	-	144,000
Demand loan payable to Illahie Foundation, with interest at 2% per annum. The amount was repaid in full during the year.	-	25,000
	$ 98,673	$ 217,111

8. Demand loans payable (continued):

All loans payable are repayable on demand and, as a result, have been classified as current.

Scheduled principal repayments are as follows:

2018	$	20,000
2019		78,673
	$	98,673

9. Obligations under capital leases:

Ecotrust has financed certain equipment by entering into capital leasing arrangements. Capital lease repayments are due as follows:

Year ending December 31,		
2016	$	6,572
2017		5,080
2018		2,244
Total minimum lease payments		13,896
Less amount representing interest (at rates ranging from 5.43% to 8.00%)		(890)
Present value of net minimum capital lease payments		13,006
Current portion of obligations under capital leases		5,965
	$	7,041

Interest of $890 (2014 - $310) relating to capital lease obligations has been included in bank charges and interest. The total amount of equipment under capital lease is $20,535 (2014 - $20,535) with related accumulated amortization of $7,692 (2014 - $1,753).

10. Deferred capital contributions:

		2015		2014
Balance, beginning of year	$	1,560	$	17,611
Contributions received during the year		15,000		2,000
Amounts recognized as revenue in the year		(3,720)		(18,051)
Balance, end of year	$	12,840	$	1,560

11. Commitments:

(a) Ecotrust Canada leases an office space under a specific lease agreement. Rental payments to the end of the lease are as follows:

2016	$ 168,606
2017	173,290
2018	187,340
2019	140,505
	$ 669,741

(b) Ecotrust has access to a $250,000 operating line of credit, with interest at prime plus 2% per annum. As at December 31, 2015, no amounts have been drawn on this facility (2014 - $nil).

12. Related party transactions:

During the year, Ecotrust earned rental income of $31,057 (2014 - $30,142) from Climate Smart Businesses Inc., a Company in which Ecotrust owns 50%, a non-controlling interest. The transaction is in the normal course of operations and is measured at fair market value pursuant to the terms of the lease agreement signed on June 3, 2014.

13. Financial risks and concentration of risks:

(a) Liquidity risk:

Liquidity risk is the risk that Ecotrust will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Ecotrust manages its liquidity risk by monitoring its operating requirements. Ecotrust 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 2014.

(b) Interest rate risk:

Ecotrust is exposed to interest rate risk on its fixed and floating interest rate loans payable. Fixed-interest loans payable subject Ecotrust to a fair value risk while the floating-rate loans payable subject it to a cash flow risk. Further details about the loans payable are included in note 8.

(c) Credit risk:

Credit risk refers to the risk of economic loss arising from a counterparty's failure to repay or service debt according to contractual terms. Financial instruments that potentially subject Ecotrust to concentrations of credit risk consist of cash, accounts receivable and loans receivable. Ecotrust deals with creditworthy counterparties to mitigate the risk of financial loss from defaults. Ecotrust monitors, on a regular basis, the credit risk to which they are exposed in relation to its receivables and takes steps to minimize the risk of loss. There has been no change to the risk exposures from 2014.