Consolidated Financial Statements of

ECOTRUST CANADA

And Independent Auditors' Report thereon

Year ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Members of Ecotrust Canada,

Opinion

We have audited the consolidated financial statements of Ecotrust Canada (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019;
- the statement of operations and changes in net assets for the year then ended;
- the statement of cash flows for the year then ended;
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019 and its results of 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent
member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditors' 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 auditors' 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 the 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 auditors' 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 auditors' 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
June 11, 2020

ECOTRUST CANADA

Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 1,184,957	$ 612,755
Accounts receivable (note 3)	159,759	521,232
Inventory	9,946	15,260
Prepaid expenses	61,660	44,388
Land, held for sale (note 4)	122,526	-
	1,538,848	1,193,635
Investments and loans receivable (note 5)	702,258	452,742
Tangible and intangible capital assets (note 6)	13,925	51,471
	$ 2,255,031	$ 1,697,848
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 111,959	$ 163,461
Deferred contributions (note 7)	1,065,974	651,807
Deferred revenue	61,105	47,307
Demand loans payable (note 8)	118,673	118,673
Tenants' deposit liability	26,494	19,615
	1,384,205	1,000,863
Deferred lease liability	-	19,538
Lease inducement	-	27,441
Deferred capital contributions (note 9)	690	4,249
	1,384,895	1,052,091
Net assets	870,136	645,757
Commitments (note 10)		
Subsequent events (notes 3 and 14)		
	$ 2,255,031	$ 1,697,848

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"J. Stewart" Director   "Jacqueline Koerner" Director

ECOTRUST CANADA

Consolidated Statement of Operations and Changes in Net Assets

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Contributions	$ 1,480,591	$ 1,200,706
Consulting	1,493,840	1,962,628
Dividend and investment income	14,740	14,804
Other income	31,770	34,464
Rental income	350,401	341,524
	3,371,342	3,554,126
Expenses:		
Amortization of tangible and intangible capital assets	47,774	68,938
Bad debts (recovery)	(1,020)	(3,182)
Bank charges and interest	14,769	15,327
Contracts and consulting	813,536	943,983
Dues and memberships	4,128	5,164
Foreign exchange loss	16,463	4,567
Insurance	14,152	14,685
Meetings and conferences	42,928	43,114
Miscellaneous expenses (recovery)	(10,957)	9,796
Occupancy and utilities	362,400	341,721
Office expenses	17,692	23,526
Printing	4,390	5,334
Professional fees	53,266	46,128
Promotion and advertising	845	-
Repairs and maintenance	19,327	20,101
Salaries and benefits	1,361,491	1,660,460
Supplies	181,685	220,204
Telephone	24,934	26,810
Training and recruitment	21,554	19,542
Travel	156,731	153,185
	3,146,088	3,619,403
Excess (deficiency) of revenue over expenses before undernoted	225,254	(65,277)
Loss from equity accounted investments	(875)	(13,168)
Excess (deficiency) of revenue over expenses	224,379	(78,445)
Net assets, beginning of year	645,757	724,202
Net assets, end of year	$ 870,136	$ 645,757

See accompanying notes to consolidated financial statements.

ECOTRUST CANADA

Consolidated Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash flows provided by (used in):		
Operating:		
Excess (deficiency) of revenue over expenses	$ 224,379	$ (78,445)
Items not involving cash:		
Amortization of deferred capital contributions	(3,559)	(5,218)
Amortization of lease inducement	(27,441)	(40,662)
Amortization of deferred lease liability	(19,538)	(26,050)
Amortization of tangible and intangible capital assets	47,774	68,938
Accrued interest on loans receivable	(14,000)	(14,000)
Loss on equity accounted investment	875	13,168
Donation of land, held for sale (note 4)	(122,526)	-
Changes in non-cash operating working capital:		
Accounts receivable	361,473	(149,025)
Inventory	5,314	6,172
Prepaid expenses	(17,272)	54,160
Accounts payable, and accrued liabilities	(51,502)	(60,252)
Deferred revenue and deferred contributions	(989,055)	(982,249)
Tenants' deposit liability	6,879	(3,613)
	(598,199)	(1,217,076)
Financing:		
Proceeds from capital contributions	1,417,020	1,076,316
Repayment of capital lease obligations	-	(2,199)
	1,417,020	1,074,117
Investing:		
Purchase of tangible and intangible capital assets	(10,228)	(11,862)
Receipts from (advances to) loans receivable	(236,391)	5,000
	(246,619)	(6,862)
Increase (decrease) in cash and cash equivalents	572,202	(149,821)
Cash and cash equivalents, beginning of year	612,755	762,576
Cash and cash equivalents, end of year	$ 1,184,957	$ 612,755
Supplemental cash flow information:		
Transfer of Teem Fish Monitoring Inc. to subsidiary (note 5)	$ 875	$ -

See accompanying notes to consolidated financial statements.

1. Operations:

Ecotrust Canada ("Ecotrust") is incorporated under the Canada Not-for-profit Corporations Act. It is a Canada Revenue Agency registered charity (89474 9969-RR0001), which is exempt from Canadian income taxes. Ecotrust 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:

These consolidated financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada 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. 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 control but not wholly-owned and investment subject to significant influence, as described in note 5. 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.

(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.

2. Significant accounting policies (continued):

(d) Revenue recognition:

Revenue from contributions is recognized using the deferral method. Under this method, restricted contributions and investment income are initially deferred and subsequently recognized as revenue in the period the related expenses are incurred or the restrictions are met. Contributions of or for depreciable capital assets are deferred as deferred capital contributions 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:

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. Non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated 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) Inventory:

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.

(h) 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.

2. Significant accounting policies (continued):

(h) Tangible and intangible capital assets (continued):

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	2 - 3

Leasehold improvements and assets acquired under capital lease are amortized on a straight-line basis over the lesser of the assets' useful lives of 5 years or lease term.

In March 2018, the Accounting Standards Board issued "Basis for Conclusions - Accounting Standards Improvements for Not-for-Profit Organizations" resulting in the introduction of Section 4433 Tangible capital assets held by not-for-profit organizations, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the Handbook. In doing so, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where applicable, to componentize capital assets when estimates can be made of the useful lives of the separate components. This section is applied on a prospective basis. The amendments are effective for financial statements for fiscal years beginning on or after January 1, 2019. The implementation of these changes had no impact on the financial statements.

(i) Use of estimates:

The preparation of these consolidated 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, the useful lives of capital assets and provision for contingencies. Actual results could differ from the estimates.

(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 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.

2. Significant accounting policies (continued):

(j) Financial instruments (continued):

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.

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:

	2019	2018
Accounts receivable	$ 159,759	$ 523,182
Allowance for impairment	-	(1,950)
	$ 159,759	$ 521,232

4. Land held for sale:

During the year ended December 31, 2019, Ecotrust received a land donation on Texada Island. As at December 31, 2019 management has adopted a formal plan to dispose of this land. The land has been classified as held for sale at December 31, 2019 at the fair value of $122,526 which is equal to the net proceeds realized subsequent to year end.

5. Investments and loans receivable:

		2019	2018
Loans receivable:			
Teem Fish Monitoring Inc. (“Teem Fish”)	(a)	$ 235,515	$ -
Boat Basin Foundation	(b)	466,740	452,740
Climate Smart loan receivable	(c)	11,933	11,933
Allowance for impairment		(11,933)	(11,933)
		702,255	452,740
Investments:			
Teem Fish	(a)	1	-
Pacific Coast Fish Conservation Company (“PCFCC”)	(d)	1	1
ThisFish Inc. (“ThisFish”)	(c)	1	1
		$ 702,258	$ 452,742

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 3.5%. Repayment terms vary between 2 and 10 years.

(a) As at December 31, 2019, Ecotrust owned 87.5% in Teem Fish”, a for-profit entity. Ecotrust accounts for the investment under the equity method. During the year ended December 31, 2019, Teem Fish had a loss of $283,676. As a result, Ecotrust has recorded its investment in Teem Fish at nominal amount.

(b) The loan receivable from Boat Basin Foundation (the “Foundation”) in the amount of $400,000 (2018 - $400,000), accrues interest at a rate of 3.5% per annum, payable upon maturity on March 27, 2022. The loan is secured by a first charge over the Foundation’s real property. As at December 31, 2019, Ecotrust has recorded accrued interest in the amount of $66,740 (2018 - $52,740).

(c) Ecotrust retains an interest in Climate Smart Businesses Inc. (“Climate Smart”); however, based on the results of this entity’s operations and management’s assessed impairments, they continue to be recorded at nil (2018 - nil). As at December 31, 2019, Ecotrust owned 41%, a non-controlling interest, (2018 - 41%) in Climate Smart, a for-profit entity. Ecotrust accounts for the investment under the equity method. During the year ended December 31, 2019, Climate Smart generated a loss of approximately $168,843 (2018 - income of $138,980), increasing its accumulated deficit to $1,210,789 (2018 -$1,012,467) as at that date. As a result, Ecotrust continues to record its investment in Climate Smart at nil (2018 - nil).

5. Investments and loans receivable (continued):

(d) The investment in PCFCC is recorded at a nominal value and secured by the rights to fishing licenses and quotas purchased. The investment is recoverable only if the holders of the licenses and quotas fail to meet certain conditions on an on-going basis.

(e) As at December 31, 2019, Ecotrust owns 48% (2018 - 48%) in ThisFish, a for-profit entity. Ecotrust accounts for the investment under the equity method. During the year ended December 31, 2019, ThisFish had a loss of $98,766. As a result, Ecotrust has recorded its investment in ThisFish a normal amount. Ecotrust is entitled to redeem the common stock once revenues of ThisFish reach $500,000. For the year ended December 31, 2019 the revenues for ThisFish were $268,113.

6. Tangible and intangible capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	$ 67,045	$ 61,417	$ 5,628	$ 8,439
Computers - hardware and software	15,609	7,312	8,297	11,989
Leasehold improvements	210,407	210,407	-	31,043
	$ 293,061	$ 279,136	$ 13,925	$ 51,471

7. Deferred contributions:

	2019	2018
Balance, beginning of year	$ 651,807	$ 492,058
Contributions received	1,417,020	1,076,316
Amounts spent and recognized as revenue in the year	(1,002,853)	(916,567)
Balance, end of year	$ 1,065,974	$ 651,807

8. Demand loans payable:

	2019	2018
Demand loans payable to Ethical Investment Group, with interest at 2.0% per annum, interest-only payable annually, unsecured, maturing on December 7, 2021	$ 20,000	$ 20,000
Demand loans payable to Greater Vancouver Community Assistance Foundation, non-interest bearing, unsecured, maturing on December 7, 2021	98,673	98,673
	$ 118,673	$ 118,673

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

Scheduled principal repayments are as follows:

2021	$ 118,673

9. Deferred capital contributions:

	2019	2018
Balance, beginning of year	$ 4,249	$ 9,467
Amounts amortized to revenue in the year	(3,559)	(5,218)
Balance, end of year	$ 690	$ 4,249

10. Commitments:

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

2020	$ 208,416
2021	217,783
2022	168,606
	$ 594,805

(b) Ecotrust has access to a $250,000 operating line of credit, with interest at prime plus 2% per annum. As at December 31, 2019, no amounts have been drawn on this facility (2018 - nil).

11. Related party transactions:

During the year ended December 31, 2019, Ecotrust earned nil rental income (2018 - $5,101) from Climate Smart Businesses Inc., a Company in which Ecotrust owns a 41% non-controlling interest. Additionally, during the year Ecotrust incurred $6,870 (2018 - nil) in consulting expenses from a board member. The transactions occurred in the normal course of operations and are measured at the exchange amount, which is the consideration established and agreed to by the parties.

12. 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 the prior year.

(b) Interest rate risk:

Ecotrust is exposed to interest rate risk on its fixed and floating interest rate loans payable and loans receivable. Fixed-interest loans payable and receivable subject Ecotrust to a fair value risk while the floating-rate loans payable, which if drawn (note 8(b)), subject it to a cash flow risk. There has been no change to the risk exposure from the prior year.

(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 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 the prior year.

13. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted for the current year.

14. Subsequent events:

Subsequent to December 31, 2019, the COVID 19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on our organization are not known at this time. These impacts could include impairment of accounts receivable, impairment of investments and loans receivable, impairment of tangible and intangible capital assets or potential future decreases in revenue or in increases to expenses of ongoing operations.