Consolidated Financial Statements of

ECOTRUST CANADA

And Independent Auditors' Report thereon

Year ended December 31, 2020

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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 consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of operations and changes in net assets for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and notes to the consolidated 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 consolidated financial position of the Entity as at December 31, 2020 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.

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.

Emphasis of Matter - Comparative Information

We draw attention to Note 12 to the financial statements ("Note 12"), which explains that certain comparative information presented for the year ended December 31, 2020 has been restated.

Note 12 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter - Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2020, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2020. In our opinion, such adjustments are appropriate and have been properly applied.

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 17, 2021

ECOTRUST CANADA

Consolidated Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
		(restated - note 12)
Assets		
Current assets:		
Cash and cash equivalents	$ 1,686,827	$ 1,132,901
Accounts receivable (note 3)	120,103	156,242
Inventory	4,636	9,946
Prepaid expenses	34,467	37,204
Land, held for sale (note 4)	-	122,526
	1,846,033	1,458,819
Investments and loans receivable (note 5)	369,848	737,691
Tangible and intangible capital assets (note 6)	19,639	10,552
	$ 2,235,520	$ 2,207,062
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 120,958	$ 108,164
Deferred contributions (note 7)	1,004,178	1,065,974
Deferred revenue	180,609	50,382
Demand loan payable (note 8)	20,026	20,000
	1,325,771	1,244,520
Loan payable (note 11)	40,000	-
	1,365,771	1,244,520
Net assets	869,749	962,542
Impact of COVID-19 on operations (note 1)		
Commitments (note 9)		
Subsequent event (note 5)		
	$ 2,235,520	$ 2,207,062

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Velma McColl
Velma McColl Director

Jonathan Stewart
Jonathan Stewart Director

ECOTRUST CANADA

Consolidated Statement of Operations and Changes in Net Assets

Year ended December 31, 2020, with comparative information for 2019

	2020	2019 (restated - note 12)
Revenue:		
Contributions	$ 1,309,947	$ 1,449,592
Consulting	1,115,268	1,493,839
Dividend and investment income	568	14,723
Other income (note 1)	802,871	115,694
	3,228,654	3,073,848
Expenses:		
Amortization of tangible and intangible capital assets	8,828	12,334
Bad debts (recovery)	7,037	(1,148)
Bank charges and interest	15,308	14,511
Contracts and consulting	617,154	812,296
Dues and memberships	4,589	3,692
Foreign exchange loss	9,579	16,461
Insurance	11,981	11,877
Meetings and conferences	63,378	42,704
Miscellaneous expenses (recovery)	(28,608)	(11,708)
Occupancy and utilities	112,927	112,608
Office expenses	7,943	14,376
Printing	9,711	5,842
Professional fees	31,979	47,149
Salaries and benefits	1,717,314	1,361,490
Supplies	250,110	181,726
Telephone	18,061	19,937
Training and recruitment	15,152	20,403
Travel	38,559	156,719
	2,911,002	2,821,269
Excess of revenue over expenses before undernoted	317,652	252,579
Other income (loss):		
Loss from equity accounted investments	-	(875)
Impairment of loans receivable (note 5)	(410,445)	-
	(410,445)	(875)
Excess (deficiency) of revenue over expenses	(92,793)	251,704
Net assets, beginning of year:		
As previously stated	870,136	645,757
Change in accounting policy (note 12)	92,406	65,081
As restated	962,542	710,838
Net assets, end of year	$ 869,749	$ 962,542

See accompanying notes to consolidated financial statements.

ECOTRUST CANADA

Consolidated Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

		2020		2019
				(restated - noted 12)
Cash flows provided by (used in):				
Operating:				
Excess (deficiency) of revenue over expenses	$	(92,793)	$	251,704
Items not involving cash:				
Amortization of tangible and intangible capital assets		8,828		12,334
Accrued interest on loans receivable		-		(14,000)
Loss on equity accounted investment		-		875
Impairment of loans receivable		410,445		-
Donation of land, held for sale		-		(122,526)
Changes in non-cash operating working capital:				
Accounts receivable		36,139		354,173
Inventory		5,310		5,314
Prepaid expenses		2,737		(17,328)
Accounts payable, and accrued liabilities		12,820		(48,419)
Deferred revenue and deferred contributions		(449,924)		(999,776)
		(66,438)		(577,649)
Financing:				
Proceeds from capital contributions		518,355		1,417,020
Investing:				
Purchase of tangible and intangible capital assets		(17,915)		(8,804)
Proceeds from loan payable		40,000		-
Proceeds from disposal of land, net		122,526		-
Advances for loans receivable		(42,602)		(272,523)
		102,009		(281,327)
Increase in cash and cash equivalents		553,926		558,044
Cash and cash equivalents, beginning of year		1,132,901		574,857
Cash and cash equivalents, end of year	$	1,686,827	$	1,132,901
Supplemental cash flow information:				
Transfer of Teem Fish Monitoring Inc. to subsidiary (note 5)	$	-	$	875

See accompanying notes to consolidated financial statements.

1. Nature of 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.

COVID-19 and impact on operations:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The following budgetary and safety measures have been taken Ecotrust in respect to the COVID-19 pandemic:

- Elimination of non-essential expenditures;
- Deployment of work from home protocols for employees who are able to do so;
- Applied for the Canada Emergency Wage Subsidy amounting to $454,130 which was included in other income, of this amount $47,907 was included in accounts receivable ;
- Applied for the Canada Emergency Business Account Subsidy (note 11).

The pandemic presents uncertainty over Ecotrust's future cash flows and may have an impact on Ecotrust's future operations. Potential impacts on the Ecotrust's operations 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. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect on Ecotrust is not practicable at this time. Management will continue to monitor the on-going financial impact on its cash and budget forecasts and will adjust its operations as required to ensure it fulfills its obligations and continues its operations.

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 subsidiary Ecotrust Canada Capital Corporation. All inter-organizational transactions and balances have been eliminated on consolidation.

During the year, Ecotrust changed its accounting policy related to its investment in The Amp Collective Ltd. ("the AMP") from consolidation to the equity method as described in notes 5 and 12.

2. Significant accounting policies (continued):

(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 investments 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.

(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.

2. Significant accounting policies (continued):

(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.

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.

(i) Measurement uncertainty:

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. Actual results could differ from those estimates.

2. Significant accounting policies (continued):

(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.

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:

	2020	2019
Accounts receivable	$ 123,103	$ 156,242
Allowance for impairment	(3,000)	-
	$ 120,103	$ 159,759

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 had adopted a formal plan to dispose of this land. The land was classified as held for sale at December 31, 2019 and recorded at its net recoverable amount. During the year ended December 31, 2020, the land was sold for net proceeds of $122,526 with no gain/loss on disposal.

5. Investments and loans receivable:

		2020	2019
			(restated - note 12)
Loans receivable:			
Teem Fish Monitoring Inc. ("Teem Fish")	(a)	$ 269,844	$ 235,524
Boat Basin Foundation	(b)	466,740	466,740
Climate Smart loan receivable	(c)	-	11,933
The AMP Collective Ltd. ("AMP")	(d)	43,705	35,423
Allowance for impairment		(410,445)	(11,933)
		369,844	737,687
Investments:			
Teem Fish	(a)	1	1
Pacific Coast Fish Conservation Company ("PCFCC")	(d)	1	1
ThisFish Inc. ("ThisFish")	(c)	1	1
The AMP	(d)	1	1
		$ 369,848	$ 737,691

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, 2020, 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, 2020, Teem Fish had a loss of $136,211 (2019 - loss of $283,676). As a result, Ecotrust has recorded its investment in Teem Fish at a nominal amount.

(b) The loan receivable from Boat Basin Foundation (the "Foundation"), a registered charity, in the amount of $400,000 (2019 - $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, 2020, Ecotrust has recorded accrued interest in the amount of $66,740 (2019 - $66,740). During the year ended December 31, 2020, management assessed the loan and interest receivable as impaired and the loan was written down by $366,740 to reflect the recoverable amount. Subsequent to year-end, Ecotust received $100,000 from the Boat Basin Foundation with the balance of loan receivable recognized as a contribution toward Boast Basin's charitable activities.

5. Investments and loans receivable (continued):

(c) During the year ended December 31, 2019, Ecotrust had a 41% non-controlling interest in Climate Smart Businesses Inc. ("Climate Smart") and based on the results of this entity's operations and management's assessed impairment, the investment was recorded at nil.

On October 5, 2020, Ecotrust sold all of its shares in Climate Smart for proceeds of $123,194. The gain on disposal been recorded in other income.

(d) As at December 31, 2020, Ecotrust owned 100% (2019- 100%) in the AMP, a for-profit entity. Ecotrust accounts for the investment under the equity method. During the year ended December 31, 2020, the AMP had a loss of $50,860 (2019 - 65,087). As a result, Ecotrust has recorded its investment in the AMP at a nominal amount. During the year ended December 31, 2020 the AMP become insolvent and as a result management assessed the loan receivable as impaired and the loan was written-down to its net recoverable amount of nil.

(e) 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.

(f) As at December 31, 2020, Ecotrust owns 48% (2019 - 48%) in ThisFish, a for-profit entity. Ecotrust accounts for the investment under the equity method. During the year ended December 31, 2020, ThisFish had a loss of $57,882 (2019 - $98,766). As a result, Ecotrust has recorded its investment in ThisFish at a nominal amount. Ecotrust is entitled to redeem the common stock once revenues of ThisFish reach $500,000. For the year ended December 31, 2020 the revenues for ThisFish were $433,589 (2019 - $268,113).

6. Tangible and intangible capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
				(restated - note 12)
Furniture and equipment	$ 2,528	$ 995	$ 1,533	$ 2,255
Computers - hardware and software	33,040	14,934	18,106	8,297
	$ 35,568	$ 15,929	$ 19,639	$ 10,552

7. Deferred contributions:

	2020	2019
Balance, beginning of year	$ 1,065,974	$ 651,807
Contributions received	1,127,403	1,417,020
Amounts spent and recognized as revenue in the year	(1,189,199)	(1,002,853)
Balance, end of year	$ 1,004,178	$ 1,065,974

8. Demand loan payable:

	2020	2019 (restated - note 12)
Demand loan payable to Ethical Investor Group, with interest at 2.0% per annum, interest-only payable annually, unsecured, maturing on December 7, 2021	$ 20,026	$ 20,000

As the loan payable is repayable on demand it has been classified as a current liability.

9. Commitments:

(a) Ecotrust Canada leases an office space under a specific lease agreement. Rental payments to the end of the lease term in fiscal 2021 are $37,683.

(b) Ecotrust has access to a $250,000 operating line of credit, with interest at prime plus 2% per annum. As at December 31, 2020, no amounts have been drawn on this facility (2019 - nil).

10. Related party transactions:

During the year ended December 31, 2020, Ecotrust incurred nil (2019 - $6,870) 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.

11. Loan payable:

The loan payable consists of the Canada Emergency Business Account Loan, non-interest bearing to December 31, 2022, with monthly interest payments required at 5% per annum commencing January 1, 2023 to maturity on December 31, 2025. If an event of default has not occurred, up to 25% of the loan will be forgiven if at least 75% of the loan has been repaid on or prior to December 31, 2022

12. Change in accounting policy:

Effective January 1, 2020, Ecotrust changed its accounting policy related to its investment in the AMP from consolidation to the equity method. Ecotrust made this change in accounting policy due to the AMP becoming insolvent during the current year. This change in accounting policy has been applied retrospectively with adjustment to the 2019 comparative financial statements, as follows:

	As previously stated	Impact of change in accounting policy	As restated
Financial Position:			
Current assets	$ 1,538,848	$ (80,029)	$ 1,458,819
Investments and loans receivables	702,258	35,433	737,691
Tangible and intangible capital assets	13,925	(3,373)	10,552
Current liabilities	1,384,205	(139,685)	1,244,520
Deferred capital contributions	690	(690)	-
Net assets	870,136	92,406	962,542
Operations and change in net assets:			
Revenue	$ 3,371,342	$ (297,494)	$ 3,073,848
Expenses	(3,146,088)	(324,819)	2,821,269
Excess (deficiency) of revenue over expenses	224,379	27,325	251,704
Net assets, beginning of year	645,757	65,081	710,838
Cash Flows:			
Operating	$ (598,199)	$ 20,550	$ (577,649)
Financing	1,417,020	-	1,417,020
Investing	(246,619)	(34,708)	(281,327)
Cash and cash equivalents, end of year	1,184,957	(52,056)	1,132,901

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.

(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 9(b)), subject it to a cash flow risk.

13. Financial risks and concentration of risks (continued):

(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 except for the impact of COVID-19 as outlined in Note 1.