Consolidated Financial Statements of

# ECOTRUST CANADA

And Independent Auditor's Report thereon

Year ended December 31, 2022

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# INDEPENDENT AUDITOR'S 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, 2022;
- 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, 2022 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

### 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.

### Auditor's 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 auditor's 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 auditor's 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 auditor's 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 15, 2023

# ECOTRUST CANADA

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 4,037,423 | $ 3,037,611 |
| Accounts receivable (note 3) | 370,016 | 618,690 |
| Inventory | 234 | 388 |
| Prepaid expenses | 18,427 | 34,962 |
| | 4,426,100 | 3,691,651 |
| Investments and loans receivable (note 4) | 2 | 2 |
| Tangible and intangible capital assets (note 5) | 17,931 | 17,872 |
| | $ 4,444,033 | $ 3,709,525 |
| **Liabilities and Net Assets** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 266,990 | $ 171,000 |
| Deferred contributions (note 6) | 2,138,991 | 1,687,648 |
| Deferred revenue | 300,864 | 121,754 |
| Loan payable (note 8) | - | 40,000 |
| | 2,706,845 | 2,020,402 |
| Net assets | 1,737,188 | 1,689,123 |
| Commitments (note 9) | | |
| | $ 4,444,033 | $ 3,709,525 |

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

DocuSigned by: FE7095101B2A42E... Director

DocuSigned by: Velma McColl 34AE7A15B5FA43E... Director

# ECOTRUST CANADA

Consolidated Statement of Operations and Changes in Net Assets

Year ended December 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|---|---|---|
| Revenue: | | |
| Contributions (note 10) | $ 2,149,098 | $ 1,434,722 |
| Consulting | 1,798,187 | 1,786,137 |
| Dividend and investment income | 58,780 | 7 |
| Other income | 1,069 | 26,660 |
| | 4,007,134 | 3,247,526 |
| Expenses: | | |
| Amortization of tangible and intangible capital assets | 12,170 | 11,067 |
| Bad debts | 2,411 | - |
| Bank charges and interest | 29,564 | 19,082 |
| Contracts and consulting | 1,165,761 | 753,801 |
| Dues and memberships | 2,736 | 6,092 |
| Foreign exchange loss (gain) | (23,830) | 19,531 |
| Insurance | 18,000 | 16,456 |
| Meetings and conferences | 50,662 | 12,442 |
| Miscellaneous (recovery) | (56,400) | (59,490) |
| Occupancy and utilities | 60,758 | 46,878 |
| Office | 5,727 | 5,619 |
| Printing | 2,401 | 9,764 |
| Professional fees | 35,925 | 116,067 |
| Salaries and benefits | 2,414,852 | 2,098,236 |
| Supplies | 87,615 | 106,768 |
| Telephone | 17,456 | 19,655 |
| Training and recruitment | 25,829 | 22,293 |
| Travel | 107,432 | 31,347 |
| | 3,959,069 | 3,235,608 |
| Excess of revenue over expenses before undernoted | 48,065 | 11,918 |
| Gain on disposal of shares (note 4(c)) | - | 807,456 |
| Excess of revenue over expenses | 48,065 | 819,374 |
| Net assets, beginning of year | 1,689,123 | 869,749 |
| Net assets, end of year | $ 1,737,188 | $ 1,689,123 |

See accompanying notes to consolidated financial statements.

# ECOTRUST CANADA

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|---|---|---|
| Cash flows provided by (used in): | | |
| Operating: | | |
| Excess of revenue over expenses | $ 48,065 | $ 819,374 |
| Items not involving cash: | | |
| Amortization of tangible and intangible capital assets | 12,170 | 11,067 |
| Gain on sale of investments | - | (807,456) |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | 248,674 | (498,587) |
| Inventory | 154 | 4,248 |
| Prepaid expenses | 16,535 | (495) |
| Accounts payable, and accrued liabilities | 95,990 | 50,042 |
| Deferred contributions | 451,343 | 683,470 |
| Deferred revenue and deferred contributions | 179,110 | (58,855) |
| | 1,052,041 | 202,808 |
| Financing: | | |
| Repayment of demand loan payable | (40,000) | (20,026) |
| Investments: | | |
| Purchase of tangible and intangible capital assets | (12,229) | (9,300) |
| Repayment for loans receivable | - | 83,552 |
| Proceeds from disposal of investments | - | 1,093,750 |
| | (12,229) | 1,168,002 |
| Increase in cash and cash equivalents | 999,812 | 1,350,784 |
| Cash and cash equivalents, beginning of year | 3,037,611 | 1,686,827 |
| Cash and cash equivalents, end of year | $ 4,037,423 | $ 3,037,611 |

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.

## 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.

(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 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 the excess 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. 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 financial reporting 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 that are cashable on demand after an initial short-term lockout period.

(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 | 3 - 5 |
| 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 the lease term.

(i) Measurement uncertainty:

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those 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.

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:

| | 2022 | 2021 |
|---|---|---|
| Accounts receivable | $ 371,116 | $ 618,690 |
| Allowance for impairment | (1,100) | - |
| | $ 370,016 | $ 618,690 |

## 4. Investments:

| | | 2022 | 2021 |
|---|---|---|---|
| Pacific Coast Fish Conservation Company (“PCFCC”) | (a) | $ 1 | $ 1 |
| ThisFish Inc. (“ThisFish”) | (b) | 1 | 1 |
| | | $ 2 | $ 2 |

(a) 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.

(b) As at December 31, 2022, Ecotrust owns 48% (2021 - 48%) in ThisFish, a for-profit entity. Ecotrust accounts for the investment under the equity method. During the year ended December 31, 2022, ThisFish had an accumulated deficit of $336,975 (2021 - $269,005). 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, 2022 the revenues of ThisFish were $582,807 (2021 - $775,017). During the year ended December 31, 2022, the common stock was not redeemed.

(c) In 2021, Ecotrust sold all of its shares in Teem Fish for proceeds of $1,093,750. The loan receivable of $269,844 was repaid in full and there was a gain of $807,456 that was recorded in other income.

## 5. Tangible and intangible capital assets:

| | | | 2022 | 2021 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Furniture and equipment | $ 6,136 | $ 3,439 | $ 2,697 | $ 2,764 |
| Computers - hardware and software | 50,961 | 35,727 | 15,234 | 15,108 |
| | $ 57,097 | $ 39,166 | $ 17,931 | $ 17,872 |

## 6. Deferred contributions:

Deferred contributions includes contributions from donors mostly in the form of grants to support Ecotrust's activities and initiatives. Contributions revenue is recognized as costs are incurred and projects are completed.

| | 2022 | 2021 |
|---|---|---|
| Balance, beginning of year | $ 1,687,648 | $ 1,004,178 |
| Contributions received | 2,395,468 | 2,042,162 |
| Amounts spent and recognized as revenue in the year | (1,944,125) | (1,358,692) |
| Balance, end of year | $ 2,138,991 | $ 1,687,648 |

## 7. Deferred revenue:

Deferred revenue represents project funding which is deferred when the restricted funding is receivable. Revenue is recognized when the project costs are incurred.

| | 2022 | 2021 |
|---|---|---|
| Balance, beginning of year | $ 121,754 | $ 180,609 |
| Funding received | 1,115,524 | 763,784 |
| Amounts spend and recognized as revenue in the year | (936,414) | (822,639) |
| Balance, end of year | $ 300,864 | $ 121,754 |

## 8. Loan payable:

The Canadian government introduced the Canada Emergency Business Account ("CEBA") loan to assist organizations during the COVID-19 pandemic with non-deferrable expenses. The CEBA loan was non-interest bearing to December 31, 2023, with monthly interest payments required at 5% per annum commencing January 1, 2024 to maturity on December 31, 2025.

In 2022, Ecotrust made the final repayment of $40,000. As payment was made prior to December 31, 2023, the remainder of the loan balance was forgiven under the program. The forgiveness was recorded as government assistance income in 2020 and 2021.

## 9. Commitments:

(a) Ecotrust Canada leases two office spaces under a specific lease agreement. Both leases expire in 2023. Rental payments to the end of the lease term in 2023 total $29,845.

(b) Ecotrust has access to a $250,000 operating line of credit, with interest at prime plus 2% per annum. As at December 31, 2022, no amounts have been drawn on this facility (2021 - nil).

**10. 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 interest rate cash equivalents. Fixed interest rate cash equivalents subject Ecotrust to a fair value risk.

(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 and cash equivalents and accounts 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 accounts receivables and takes steps to minimize the risk of loss. Cash and cash equivalents are held with reputable financial institutions and the credit risk is determined to be nominal.

(d) Currency risk:

Ecotrust is exposed to currency risk due to fluctuations in foreign exchange rates on cash held in U.S. dollars.

There has been no change to the risk exposure from the prior period.

**11. Comparative information:**

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