Grant Thornton

Financial statements

Ecology Action Centre

March 31, 2020

Contents

Independent auditor's report

Grant Thornton LLP
Nova Centre, North Tower
Suite 1000, 1675 Grafton Street
Halifax, NS
B3J 0E9

T +1 902 421 1734
F +1 902 420 1068
www.GrantThornton.ca

To the officers and members of
Ecology Action Centre

Qualified Opinion

We have audited the financial statements of Ecology Action Centre ("the Centre"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, surplus and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Ecology Action Centre as at March 31, 2020, 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 Qualified Opinion

In common with many not-for-profit centres, the Centre derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Centre. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2020 and March 31, 2019, current assets as at March 31, 2020 and 2019, and net assets as at April 1 and March 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

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 report. We are independent of the Centre 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 qualified opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre'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 these 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 Centre'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 Centre'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 Centre 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.

We 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.

Halifax, Canada
July 29, 2020

Chartered Professional Accountants

Ecology Action Centre
Statement of operations

Year ended March 31	2020	2019
Project revenue (Note 10)	**$ 1,974,106**	$ 2,436,353
Operating revenue		
Administrative fees (contribution from projects)	**196,173**	220,539
Capital contribution	**38,616**	40,620
Donations	**183,851**	157,824
Fundraising events	**32,734**	36,110
Interest on savings and miscellaneous	**17,849**	18,287
Memberships	**630,329**	612,793
Operating expense recoveries	**61,166**	54,916
	1,160,718	1,141,089
Total revenue	**3,134,824**	3,577,442
Project expenses (Note 11)	**1,974,106**	2,436,353
Operating expenses		
Bank, credit card and payroll fees	**29,253**	23,611
Communications	**9,533**	5,293
Database and computer support	**9,185**	8,747
Depreciation	**40,837**	43,846
Equipment lease	**5,050**	4,709
Fundraising events	**21,487**	22,467
Insurance	**12,549**	11,529
Magazine (*Ecology and Action*)	**18,951**	21,292
Membership materials	**2,321**	1,231
Miscellaneous	**9,724**	11,409
Office	**22,504**	25,707
Power, water and telephone	**11,323**	12,866
Professional fees and consulting	**23,109**	54,814
Project contributions	**-**	125,563
Property financing	**16,126**	17,882
Property taxes and maintenance	**19,570**	18,068
Staff wages and benefits	**801,896**	707,103
Subscriptions and memberships	**18,173**	8,392
Travel	**5,736**	4,429
	1,077,327	1,128,958
Total expenses	**3,051,433**	3,565,311
Excess of revenue over expenses	**$ 83,391**	$ 12,131

Ecology Action Centre
Statement of changes in surplus

Year ended March 31 — **2020** — 2019

	Operating	Investment, in capital assets	Reserve fund	Strategic fund	**Total** (2020)	Total (2019)
Surplus, beginning of year	$ (51,624)	$ 131,135	$ 115,617	$ -	**$ 195,128**	$ 182,997
Excess of revenue over expenses	83,391	-	-	-	**83,391**	12,131
Inter-fund transfers (Note 8)	(83,391)	-	17,391	66,000	**-**	-
Purchase of property and equipment	(6,701)	6,701	-	-	**-**	-
Increase in deferred capital contributions	(38,616)	38,616	-	-	**-**	-
Repayment of mortgage	(13,542)	13,542	-	-	**-**	-
Depreciation expense	40,837	(40,837)	-	-	**-**	-
Surplus, end of year	$ (69,646)	$ 149,157	$ 133,008	$ 66,000	**$ 278,519**	$ 195,128

Ecology Action Centre
Statement of financial position

March 31	2020	2019
Assets		
Current		
Cash and cash equivalents	**$ 1,153,974**	$ 1,051,126
Receivables	**196,408**	142,087
Prepaids	**10,852**	9,460
	1,361,234	1,202,673
Property and equipment (Note 3)	**892,731**	926,867
	$ 2,253,965	$ 2,129,540
Liabilities		
Current		
Payables and accruals	**$ 34,051**	$ 41,877
Deferred project revenue (Note 4)	**1,197,821**	1,088,596
Deferred operations revenue	**-**	8,207
Current portion of mortgage payable (Note 6)	**17,888**	17,127
	1,249,760	1,155,807
Deferred capital contributions (Note 5)	**377,350**	415,966
Mortgage payable (Note 6)	**348,336**	362,639
	1,975,446	1,934,412
Surplus (page 4)		
Operating deficit	**(69,646)**	(51,624)
Investment in capital assets	**149,157**	131,135
General reserve fund	**133,008**	115,617
Strategic fund	**66,000**	-
	278,519	195,128
	$ 2,253,965	$ 2,129,540

Commitments (Note 7)

On behalf of the Board

_______________ Director _______________ Director

Ecology Action Centre
Statement of cash flows

Year ended March 31	2020	2019
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenue over expenses	**$ 83,391**	$ 12,131
Amortization of deferred capital	**(38,616)**	(40,620)
Depreciation	**40,837**	43,846
	85,612	15,357
Changes in non-cash working capital balances		
Receivables	**(54,321)**	42,236
Prepaids	**(1,392)**	755
Payables and accruals	**(7,826)**	(21,065)
Deferred revenues	**101,018**	(472,771)
	123,091	(435,488)
Financing		
Contributions received for property and equipment	**-**	2,098
Repayment of mortgage	**(13,542)**	(17,212)
	(13,542)	(15,114)
Investing		
Purchase of property and equipment	**(6,701)**	(2,098)
Net increase (decrease) in cash and cash equivalents	**102,848**	(452,700)
Cash and cash equivalents, beginning of year	**1,051,126**	1,503,826
Cash and cash equivalents, end of year	**$ 1,153,974**	$ 1,051,126

1. Nature of operations

The Ecology Action Centre (the “Centre”) is a not-for-profit centre, which aims to increase the appreciation, protection, and enhancement of the environment of Nova Scotia. The Centre is a registered charitable centre under the meaning assigned in Section 149 of the Income Tax Act, and as such is exempt from income tax.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit centres (“ASNPO”). The significant accounting policies are detailed as follows:

Property and equipment

Property and equipment are recorded at its original cost and subsequently at cost less accumulated amortization. Property and equipment are capitalized in the year of acquisition, and depreciation is recorded on the declining balance basis at the following annual rates:

Building	4%
Building improvements	10-30%
Computer equipment	55%
Furniture and equipment	20%

Whenever events or changes in circumstances indicate property and equipment no longer have any long term service potential to the Centre, the excess of its net carrying amount over any residual value would be recognized as an expense. Such a write-down is not reversed if the service potential subsequently improves.

Donated and contributed services

Donated services are recognized in the period the services are performed, provided fair value can be determined, otherwise such amounts are not recognized. A number of volunteers contribute a significant amount of their time to the Centre each year. Due to the difficulty of determining the related fair value, contributed services are not recognized in the financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Revenue recognition

The Centre follows the deferral method of accounting for contributions. Project revenue received in advance of related project expenditures is deferred and recognized when these expenditures are incurred. Included in project expenditures is an amount charged for administration services and recorded under operating revenue on the statement of operations. Funds received for capital expenditures are deferred and depreciation on related capital assets is applied against the deferral and recognized as capital contribution revenue.

All other operating revenues are recorded in the year they are earned.

2. Summary of significant accounting policies (continued)

Fund accounting

The accounts are maintained in accordance with the principles of fund accounting. This method ensures observance of restrictions, if any, on the use of the resources by maintaining separate accounts for each fund. Funds that have limitations placed on their use by internal or external parties are classified as restricted.

The following provides a brief description of each fund:

- The operating fund is for unrestricted general operating funds;
- The investment in capital assets is the balance in capital assets less associated amortization;
- The Reserve fund represents amounts restricted by the board to fund future expenditures; and
- The Strategic fund represents amount restricted by the board to fund future operational projects and administrative activities.

Use of estimates

The preparation of the financial statements in conformity with ASNPO requires that management make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the year. Certain of these estimates require subjective judgments by management that may be uncertain. These items include useful lives of property and equipment and allowance for doubtful accounts. Actual results could differ from those reported.

Financial instruments

The Centre considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Centre accounts for the following as financial instruments:

- cash and cash equivalents
- receivables
- payables and accruals
- deferred project revenue
- mortgage payable

A financial asset or liability is recognized when the Centre becomes party to contractual provisions of the instrument.

The Centre initially measures its financial assets and financial liabilities at fair value.

Financial assets and financial liabilities are subsequently measured at amortized cost. The Centre removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net income

2. Summary of significant accounting policies (continued)

Financial instruments (continued)
The Centre is exposed to various risks through its financial instruments. The following analysis provides a measure of the Centre's risk exposure and concentrations as at March 31, 2020.

Credit risk
Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the Centre. The Centre's credit risk is primarily attributable to receivables. Receivables are managed by closely monitoring delinquent contributors and ensuring any late payments or deviations are investigated.

Liquidity risk
Liquidity risk is the risk that the Centre will not be able to pay financial instrument liabilities as they come due. The Centre's liquidity from financial statements is its need to meet operating requirements for payables and accruals. The majority of assets held by the Centre are in cash and cash equivalents which can be readily disposed of as liquidity needs arise.

Market risk
Market risk is the risk that the fair value or future value cash flows of a financial instrument will fluctuate because of changes in marker prices. For purposes of this disclosure, the Centre segregates market risk into three categories: interest rate risk, currency risk, and other price risk. The Centre is not exposed to significant currency or other price risk.

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Centre is exposed to interest rate risk through interest paid on the mortgage payable. The mortgage currently operates with an interest rate of 4.4%. The mortgage is up for refinancing in 2021. Sensitivity to a plus or minus 1% change in the interest rate would not have a significant effect on the Centre's operations.

Administration fees (contributions from projects)
Grants and donations for environmental programs are subject to a 15% administration fee charge as a contribution to administration for support and services provided. This contribution covers overall project support, financial and administrative support, office space, supplies, equipment, internet and insurance. When project funding is awarded, the 15% contribution is deducted at the time the funds are received. Some specific projects and related funders instead require a monthly administration fee, direct billed to the project for project-specific services provided.

Adoption of new accounting standards
On April 1, 2019, the Centre adopted new accounting standard Section 4433 *Tangible capital assets held by not-for-profit organizations* (the "standards"). The most significant requirements include:

- tangible capital assets must be separated into their component parts, when practicable, and when estimates can be made of the lives of the separate components;
- tangible capital assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to the Centre's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the tangible capital assets are less than their net carrying amounts; and
- additional disclosures when an impairment has occurred.

2. Summary of significant accounting policies (continued)

Adoption of new accounting standards (continued)

The adoption of the new accounting standards was applied prospectively, except the Centre was permitted to recognize an adjustment to opening net assets at April 1, 2019 to reflect partial impairments of tangible assets existing at that date. The adoption of these standards did not have any impact on the statement of financial position as at April 1, 2019 and the changes in financial position for the current period.

3. Property and equipment

			2020	2019
	Cost	Accumulated Depreciation	**Net Book Value**	Net Book Value
Land	$ 75,000	$ -	**$ 75,000**	$ 75,000
Building and improvements	1,091,649	275,528	**816,121**	851,867
Computer equipment	62,789	61,179	**1,610**	-
Furniture and equipment	44,663	44,663	**-**	-
	$ 1,274,101	$ 381,370	**$ 892,731**	$ 926,867

4. Deferred project revenue

	2020	2019
Built Environment	**$ 65,111**	$ 30,800
Coastal	**82,502**	71,490
Endowment fund (Heliotrust)	**24,738**	24,488
Energy	**121,535**	137,473
Food Action	**42,974**	13,804
General projects	**216,239**	253,942
Marine issues	**303,381**	310,152
Transportation	**98,092**	71,807
Wilderness project	**135,038**	86,615
Total projects	**1,089,610**	1,000,571
EAC administration	**108,211**	88,025
	$ 1,197,821	$ 1,088,596

5. Deferred capital contributions

	2020	2019
Opening balance	**$ 415,966**	$ 454,488
Contribution received	**-**	2,098
Less: amortization	**(38,616)**	(40,620)
Ending balance	**$ 377,350**	$ 415,966

6. Mortgage payable

		2020		2019
Credit Union mortgage, bearing interest at 4.4%, repayable in blended monthly instalments of $2,782, amortized to April 30, 2035. As security against the mortgage, the Centre has provided an assignment of land and building. The mortgage is up to be refinanced in fiscal 2021.	**$**	**366,224**	$	379,766
Less: current portion due within one year		**17,888**		17,127
	$	**348,336**	$	362,639

Estimated principal repayments for the next five years are as follows:

2021	$	17,888
2022		18,684
2023		19,515
2024		20,383
2025		21,290

7. Commitments

The Centre is renting office equipment under a long term lease expiring in fiscal 2025. The minimum annual rent for the next 5 years is as follows:

2021	$	1,541
2022		1,541
2023		1,541
2024		1,541
2025		1,541

8. Inter-fund transfers

The Centre made the following inter-fund transfers through motion and approval by the Board of Directors:

The Operating Surplus transferred $17,391 (2019 - $12,131) to the Reserve Fund to be used for unexpected costs related to the Fern Lane Property, legal action, and other expenses that could interrupt business continuity.

The Operating Surplus transferred $66,000 (2019 - $Nil) to the Strategic Fund to be used for future operational projects and administrative activities

9. Line of credit

The Centre has available a line of credit of $150,000 with Credit Union Atlantic Limited secured by a second mortgage on a specified property. The utilization of the line of credit is $Nil at March 31, 2020 (2019 - $Nil).

10. Project revenue

	2020	2019
Donations	$ **354,367**	$ 235,195
Expense recoveries	**4,312**	1,749
Foundations and private	**428,622**	270,936
Government	**846,819**	803,752
NGOs	**587,719**	706,126
Other	**57,665**	164,414
	2,279,504	2,182,172
Change in deferred project revenue	**(109,225)**	474,720
	2,170,279	2,656,892
Administrative fees (contribution to core)	**(196,173)**	(220,539)
Total project revenue	$ **1,974,106**	$ 2,436,353

11. Project expenses

	2020	2019
Communications	$ **130,555**	$ 60,197
Contracts and consultants	**270,920**	664,175
Materials, phone, equipment and rent	**139,146**	139,840
Other	**26,910**	50,817
Salaries	**1,267,671**	1,278,474
Training and conferences	**18,633**	24,166
Travel, meals and accommodation	**107,340**	179,793
Workshop events	**12,931**	38,891
Total project expenses	$ **1,974,106**	$ 2,436,353

12. Impact of COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

Management and the board of directors have taken a conservative approach to the budgeting process for the year of 2021 to accommodate potential impact of COVID 19 on the Centre. A system of continuous monitoring is being established to be able to react to any changes in funding in a timely manner.