

**ENVIRONMENTAL DEFENCE
CANADA INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2017**

ENVIRONMENTAL DEFENCE CANADA INC.

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Independent Auditor's Report

To the Members of
Environmental Defence Canada Inc.

We have audited the accompanying financial statements of Environmental Defence Canada Inc., which comprise the statement of financial position as at March 31, 2017 and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualification

In common with many charitable agencies, Environmental Defence Canada Inc. derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Environmental Defence Canada Inc. and we were not able to determine whether any adjustments might be necessary to contribution revenue, excess (deficiency) of revenue over expenses, and cash flows from operations for the years ended March 31, 2017 and 2016, current assets as at March 31, 2017 and 2016 and net assets as at April 1 and March 31, for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended March 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.



Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Environmental Defence Canada Inc. as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO CANADA LLP

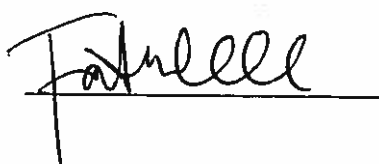
Chartered Professional Accountants, Licensed Public Accountants

Markham, Ontario
September 8, 2017

ENVIRONMENTAL DEFENCE CANADA INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2017

	2017	2016
ASSETS		
Current		
Cash (Note 3)	\$ 572,077	\$ 291,955
Contributions receivable	189,262	296,466
HST recoverable	69,774	67,990
Prepaid expenses and other assets	35,536	72,549
	<u>866,649</u>	<u>728,960</u>
Capital assets (Note 4)	30,957	38,644
	<u>\$ 897,606</u>	<u>\$ 767,604</u>
LIABILITIES		
Current		
Bank indebtedness (Note 5)	\$ 79,339	\$ 95,080
Accounts payable and accrued liabilities (Note 6)	270,936	186,099
Deferred contributions	516,967	235,517
	<u>867,242</u>	<u>516,696</u>
NET ASSETS		
Unrestricted	30,247	247,586
Restricted - Contingency reserve (Note 7)	117	3,322
	<u>30,364</u>	<u>250,908</u>
	<u>\$ 897,606</u>	<u>\$ 767,604</u>

Approved on behalf of the Board:



See notes to financial statements

ENVIRONMENTAL DEFENCE CANADA INC.
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
CONTRIBUTION REVENUE		
Corporations	\$ 295,014	\$ 288,252
Foundations	1,436,921	1,691,581
Governments	197,762	237,923
Individuals	757,337	900,031
Other	23,574	10,447
	2,710,608	3,128,234
EXPENSES		
Amortization	9,518	15,022
Bank charges and interest	26,994	30,715
Computer expenses	13,583	14,737
Contracted services	100,411	52,189
General and office	62,297	68,617
Insurance	10,056	11,796
Printing and stationery	4,088	7,118
Professional fees	84,511	24,970
Programme work	668,488	746,747
Rent	161,429	145,430
Telephone	17,922	19,350
Travel	4,503	2,962
Wages and employee benefits	1,767,352	1,986,796
	2,931,152	3,126,449
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	(220,544)	1,785
Unrestricted net assets, beginning of year	247,586	165,577
Net transfers from contingency reserve (Note 7)	3,205	80,224
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 30,247	\$ 247,586
Restricted net assets, beginning of year	\$ 3,322	\$ 83,546
Transfer to unrestricted fund (Note 7)	(3,205)	(80,224)
RESTRICTED NET ASSETS, END OF YEAR	\$ 117	\$ 3,322

See notes to financial statements

ENVIRONMENTAL DEFENCE CANADA INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
Cash Flows From Operating Activities:		
(Deficiency) excess of revenue over expenses	\$ (220,544)	\$ 1,785
Add item not affecting cash:		
Amortization	9,518	15,022
	(211,026)	16,807
Changes in non-cash working capital		
Contributions receivable	107,204	(176,032)
HST recoverable	(1,784)	17,829
Prepaid expenses and other assets	37,013	(8,929)
Accounts payable and accrued liabilities	84,837	34,255
Deferred contributions	281,450	(195,961)
	297,694	(312,031)
Cash Flows From Financing Activities:		
Increase (decrease) in bank indebtedness	(15,741)	95,080
Cash Flows From Investing Activities:		
Purchase of capital assets	(1,831)	(1,663)
Net increase (decrease) in cash during the year	280,122	(218,614)
Cash, beginning of year	291,955	510,569
Cash, end of year	\$ 572,077	\$ 291,955
Cash is comprised of the following:		
Unrestricted	\$ 511,960	\$ 228,633
Restricted (Note 3)	60,117	63,322
	\$ 572,077	\$ 291,955

See notes to financial statements

ENVIRONMENTAL DEFENCE CANADA INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

1. PURPOSE OF ORGANIZATION

Environmental Defence Canada Inc. ("EDC") is incorporated without share capital and is a registered charity under the Income Tax Act (Canada) and as such, is exempt from income taxes.

EDC provides Canadians with the tools and knowledge they need to protect and improve their environment and health. EDC is a national charitable organization committed to engaging the public, finding solutions, and advancing the environmental rights of future generations.

EDC's charitable status is currently being reviewed by the Canada Revenue Agency ("CRA"). EDC continues to provide documentation to the CRA to support its activities and the Board of Directors of EDC have determined that the information provided to the CRA is sufficient. The outcome of CRA's review is currently not determinable.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Financial Instruments

Measurement of Financial Instruments

EDC initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. EDC subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash and contributions receivable. Financial liabilities measured at amortized cost include bank indebtedness and accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. Reversals are recognized in net income.

Transaction Costs

EDC recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

ENVIRONMENTAL DEFENCE CANADA INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

EDC follows the deferral method of accounting for contributions. Unrestricted contributions including pledges and unconditional promises to give, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to expenses of the current period are recognized as revenue of the current period.

Restricted contributions related to expenses of a future period or for the purchase of capital assets are deferred and recognized as revenue in the same period that the related expenses are reported.

Contributed Services

Volunteers contribute an indeterminable number of hours per year to assist EDC in carrying out its service delivery activities. Given the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Government Assistance

Funding from various levels of governments is recorded in the accounts when there is reasonable assurance that EDC has complied with, and will continue to comply with, all conditions necessary to obtain the assistance.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized.

Capital assets are being amortized over their estimated useful lives using the following annual rates and methods:

Computer equipment	- 30% declining balance
Office equipment	- 20% declining balance
Leasehold improvements	- 5 years straight-line

Impairment of Capital Assets

EDC monitors its use of capital assets and when the capital asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

ENVIRONMENTAL DEFENCE CANADA INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Actual results could differ from these estimates.

3. RESTRICTED CASH

Included in cash is \$117 (2016 - \$3,322) that is internally restricted by the Board to provide for payment of unforeseen contingencies and \$60,000 (2016 - \$60,000) that is required by the bank as security for credit cards.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	2017 Net	2016 Net
Computer equipment	\$ 49,265	\$ 43,298	\$ 5,967	\$ 6,006
Office equipment	65,087	48,841	16,246	20,294
Leasehold improvements	39,840	31,096	8,744	12,344
	\$ 154,192	\$ 123,235	\$ 30,957	\$ 38,644

5. BANK FACILITY

EDC has an operating line of credit facility to a maximum of \$100,000 bearing interest at the bank's prime rate plus 4%. The facility is secured by a general security agreement.

6. GOVERNMENT LIABILITIES

Included in accounts payable and accrued liabilities are government remittances including payroll withholdings of \$9,568 (2016 - \$Nil).

7. CONTINGENCY RESERVE

The contingency reserve has been set up by the Board to provide for any significant unanticipated expenditures and is internally restricted for this purpose. Net approved transfers from the contingency reserve to the unrestricted net assets in the year totaled \$3,205 (2016 - \$80,224).

ENVIRONMENTAL DEFENCE CANADA INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

8. COMMITMENTS

EDC has entered into a lease agreement for its premises expiring in April 2021. Minimum lease payments, exclusive of certain common costs are approximately as follows:

Year ending March 31, 2018	\$	100,500
2019		105,000
2020		112,200
2021		112,900
	\$	430,600

9. FINANCIAL INSTRUMENTS

Risks and Concentrations

EDC is exposed to various risks through its financial instruments. The following analysis provides a measure of EDC's risk exposure and concentrations as at March 31, 2017. Unless otherwise noted, it is management's opinion that EDC is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. EDC is exposed to interest rate risk on its bank indebtedness which bears interest at floating rate.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments which potentially subject EDC to concentrations of credit risk consist principally of cash and contributions receivables.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The EDC is exposed to this risk mainly in respect of its bank indebtedness, accounts payable and accrued liabilities and commitments.