

**ENVIRONMENTAL DEFENCE
CANADA INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2015**

ENVIRONMENTAL DEFENCE CANADA INC.

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BDO Canada LLP
60 Columbia Way, Suite 300
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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, 2015 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 revenue, deficiency of revenue over expenses, and cash flows from operations for the years ended March 31, 2015 and 2014, current assets as at March 31, 2015 and 2014 and net assets as at April 1 and March 31, for both the 2015 and 2014 years. Our audit opinion on the financial statements for the year ended March 31, 2014 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, 2015, 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.



Other Matter

The financial statements of Environmental Defence Canada Inc. for the year end March 31, 2014, were audited by the firm of Cunningham LLP, whose practice now operates under BDO Canada LLP, and who expressed a modified opinion on those statements on September 24, 2014 for the reasons described in the Basis for Qualification paragraph.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants

Markham, Ontario
September 10, 2015

ENVIRONMENTAL DEFENCE CANADA INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2015

	2015	2014
ASSETS		
Current		
Cash (Note 3)	\$ 510,569	\$ 803,037
Contributions receivable	120,434	62,180
HST recoverable	85,819	126,005
Prepaid expenses and other assets	63,620	70,214
	780,442	1,061,436
Capital assets (Note 4)	52,003	63,703
	\$ 832,445	\$ 1,125,139
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 151,844	\$ 245,300
Deferred contributions	431,478	534,708
	583,322	780,008
NET ASSETS		
Unrestricted	165,577	96,482
Restricted - Contingency reserve (Note 7)	83,546	248,649
	249,123	345,131
	\$ 832,445	\$ 1,125,139

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, 2015

	2015	2014
CONTRIBUTION REVENUE		
Corporations	\$ 616,462	\$ 787,261
Foundations	1,522,058	1,574,814
Governments	117,474	99,150
Individuals	963,397	1,004,241
Other	12,242	22,779
	3,231,633	3,488,245
EXPENSES		
Amortization	13,987	15,312
Bank charges and interest	26,804	27,859
Computer expenses	12,256	19,159
Contracted services	480,164	938,996
General and office	95,231	149,850
Insurance	11,826	13,338
Printing and stationery	14,630	12,509
Professional fees	37,400	83,180
Programme work	628,146	629,131
Rent	141,246	137,093
Telephone	19,580	22,207
Travel	2,312	5,742
Wages and employee benefits	1,844,059	1,724,722
	3,327,641	3,779,098
DEFICIENCY OF REVENUE OVER EXPENSES	(96,008)	(290,853)
Unrestricted net assets, beginning of year	96,482	284,866
Net transfers from contingency reserve (Note 7)	165,103	102,469
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 165,577	\$ 96,482
Restricted net assets, beginning of year	\$ 248,649	\$ 351,118
Transfer to unrestricted fund (Note 7)	(165,103)	(102,469)
RESTRICTED NET ASSETS, END OF YEAR	\$ 83,546	\$ 248,649

See notes to financial statements

ENVIRONMENTAL DEFENCE CANADA INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2015

	2015	2014
Cash Flows From Operating Activities:		
Deficiency of revenue over expenses	\$ (96,008)	\$ (290,853)
Add item not affecting cash:		
Amortization	13,987	15,312
	(82,021)	(275,541)
Changes in non-cash working capital		
Contributions receivable	(58,254)	(24,620)
HST recoverable	40,186	21,552
Prepaid expenses and other assets	6,594	2,762
Accounts payable and accrued liabilities	(93,456)	(12,884)
Deferred contributions	(103,230)	(9,815)
	(290,181)	(298,546)
Cash Flows From Investing Activities:		
Proceeds on sale of investment	-	102,812
Purchase of capital assets	(2,287)	(17,013)
	(2,287)	85,799
Net decrease in cash and cash equivalents during the year	(292,468)	(212,747)
Cash and cash equivalents, beginning of year	803,037	1,015,784
Cash and cash equivalents, end of year	\$ 510,569	\$ 803,037
Cash is comprised of the following:		
Unrestricted	\$ 367,023	\$ 494,388
Restricted (Note 3)	143,546	308,649
	\$ 510,569	\$ 803,037

See notes to financial statements

ENVIRONMENTAL DEFENCE CANADA INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

1. PURPOSE OF ORGANIZATION

Environmental Defence Canada Inc. ("EDC") is incorporated without share capital for the purpose of making charitable contributions. EDC 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 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, 2015

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, 2015

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 \$83,546 (2014 - \$248,649) that is internally restricted by the Board to provide for payment of unforeseen contingencies and \$60,000 (2014 - \$60,000) that is required by the bank as security for credit cards.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	2015 Net	2014 Net
Computer equipment	\$ 45,772	\$ 39,448	\$ 6,324	\$ 9,034
Office equipment	65,087	39,720	25,367	31,709
Leasehold improvements	39,840	19,528	20,312	22,960
	\$ 150,699	\$ 98,696	\$ 52,003	\$ 63,703

5. BANK FACILITY

EDC has an operating line of credit facility to a maximum of \$200,000 bearing interest at the bank's prime rate plus 4%. The facility is secured by a general security agreement. As at March 31, 2015 and March 31, 2014 this facility was not utilized.

6. GOVERNMENT LIABILITIES

As at March 31, 2015 and March 31, 2014, there are no amounts payable in respect of government remittances.

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 \$165,103 (2014 - \$102,469).

ENVIRONMENTAL DEFENCE CANADA INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

8. COMMITMENTS

EDC has entered into a lease agreement for its premises expiring in April 2016. Minimum lease payments, exclusive of certain common costs, in the aggregate and each of the next two years are approximately as follows:

Year ending March 31, 2016	\$	77,041
2017		6,435
	\$	83,476

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, 2015. 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.