Grant Thornton

Financial statements

Ecology Action Centre

March 31, 2021

Contents

Independent auditor’s report

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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, 2021, and the statements of operations, net assets 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, 2021, 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, 2021 and March 31, 2020, current assets as at March 31, 2021 and 2020, and net assets as at April 1 and March 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended March 31, 2020 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.

Grant Thornton LLP

Halifax, Canada
May 31, 2021

Chartered Professional Accountants

Ecology Action Centre
Statement of operations

Year ended March 31	2021	2020
Project revenue (Note 11)	**$ 1,407,149**	$ 1,974,106
Operating revenue		
Administrative fees (contribution from projects)	**173,587**	196,173
Capital contribution	**36,632**	38,616
Donations	**296,527**	183,851
Fundraising events	**21,194**	32,734
Government Funding	**201,163**	-
Interest on savings and miscellaneous	**13,133**	17,849
Memberships	**578,080**	630,329
Operating expense recoveries	**42,399**	61,166
	1,362,715	1,160,718
Total revenue	**2,769,864**	3,134,824
Project expenses (Note 12)	**1,407,149**	1,974,106
Operating expenses		
Bad Debt	**130**	-
Bank, credit card and payroll fees	**24,799**	29,253
Communications	**8,122**	9,533
Database and computer support	**17,367**	9,185
Depreciation	**37,522**	40,837
Equipment lease	**2,215**	5,050
Fundraising events	**9,853**	21,487
Insurance	**12,267**	12,549
Magazine (*Ecology and Action*)	**4,614**	18,951
Membership materials	**198**	2,321
Miscellaneous	**8,811**	9,724
Office	**22,589**	22,504
Power, water and telephone	**12,547**	11,323
Professional fees and consulting	**65,904**	23,109
Property financing	**10,574**	16,126
Property taxes and maintenance	**15,999**	19,570
Staff wages and benefits	**711,675**	801,896
Subscriptions and memberships	**13,457**	18,173
Travel	**1,265**	5,736
	979,908	1,077,327
Total expenses	**2,387,057**	3,051,433
Excess of revenue over expenses	**$ 382,807**	$ 83,391

Ecology Action Centre
Statement of net assets
Year ended March 31

	Operating	Investment, in capital assets	Emergency Fund	Strategic Fund	Fern Lane Fund	**2021 Total**	2020 Total
Surplus, beginning of year	$ (69,646)	$ 149,157	$ 133,008	$ 66,000	$ -	**$ 278,519**	$ 195,128
Excess of revenue over expenses	382,807	-	-	-	-	**382,807**	83,391
Inter-fund transfers (Note 9)	(382,807)	-	-	316,807	66,000	**-**	-
Purchase of property and equipment	(2,123)	2,123	-	-	-	**-**	-
Increase in deferred capital contributions	(36,632)	36,632	-	-	-	**-**	-
Repayment of mortgage	(14,199)	14,199	-	-	-	**-**	-
Depreciation expense	37,522	(37,522)	-	-	-	**-**	-
Surplus, end of year	$ (85,078)	$ 164,589	$ 133,008	$ 382,807	$ 66,000	**$ 661,326**	$ 278,519

Ecology Action Centre
Statement of financial position

March 31		2021		2020
Assets				
Current				
Cash and cash equivalents	$	**1,973,259**	$	1,153,974
Receivables		**338,877**		196,408
Prepaids		**17,571**		10,852
		2,329,707		1,361,234
Property and equipment (Note 3)		**857,332**		892,731
	$	**3,187,039**	$	2,253,965
Liabilities				
Current				
Payables and accruals (Note 4)	$	**164,985**	$	34,051
Deferred project revenue (Note 5)		**1,667,985**		1,197,821
Current portion of mortgage payable (Note 7)		**18,684**		17,888
		1,851,654		1,249,760
Deferred capital contributions (Note 6)		**340,718**		377,350
Mortgage payable (Note 7)		**333,341**		348,336
		2,525,713		1,975,446
Net Assets				
Operating deficit		**(85,078)**		(69,646)
Investment in capital assets		**164,589**		149,157
Emergency Fund		**133,008**		133,008
Strategic Fund		**382,807**		66,000
Fern Lane Fund		**66,000**		-
		661,326		278,519
	$	**3,187,039**	$	2,253,965

Commitments (Note 8)

On behalf of the Board

Anne Marie Dalton Director

Director

See accompanying notes to the financial statements.

Ecology Action Centre
Statement of cash flows

Year ended March 31	2021	2020
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenue over expenses	**$ 382,807**	$ 83,391
Amortization of deferred capital	**(36,632)**	(38,616)
Depreciation	**37,522**	40,837
	383,697	85,612
Changes in non-cash working capital balances		
Receivables	**(142,469)**	(54,321)
Prepaids	**(6,719)**	(1,392)
Payables and accruals	**130,934**	(7,826)
Deferred project revenues	**470,164**	101,018
	835,607	123,091
Financing		
Repayment of mortgage	**(14,199)**	(13,542)
Investing		
Purchase of property and equipment	**(2,123)**	(6,701)
Net increase in cash and cash equivalents	**819,285**	102,848
Cash and cash equivalents, beginning of year	**1,153,974**	1,051,126
Cash and cash equivalents, end of year	**$ 1,973,259**	$ 1,153,974

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 these assets, with the exception of land, using the declining balance basis at the following annual rates:

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

Whenever events or changes in circumstances indicate property and equipment no longer have 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.

Membership and operating expense recoveries are recognized as revenue when the funds are received or receivable, and collation is reasonably assured.

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)
Interest on savings and miscellaneous revenues are recorded on an accrual basis.

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.

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.

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 and debt used to finance capital asset additions;
- The Emergency Fund represents amounts restricted by the Board to fund unexpected costs that could impact or interrupted business continuity;
- The Strategic Fund represents amount restricted by the Board to fund strategic projects or operational initiatives. The Board has delegated spending responsibility to staff;
- The Fern Lane Fund represents amounts restricted by the Board to fund medium and long-term maintenance of the Fern Lane property. The board has delegated spending responsibility to staff;

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.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)
The Centre initially measures its financial assets and financial liabilities at fair value.

Financial assets and financial liabilities are subsequently measured at cost or 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

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, 2021.

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 market 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 3.85%. Sensitivity to a plus or minus 1% change in the interest rate would not have a significant effect on the Centre's operations.

3. Property and equipment

	Cost	Accumulated Depreciation	2021 Net Book Value	2020 Net Book Value
Land	$ 75,000	$ -	**$ 75,000**	$ 75,000
Building and improvements	1,093,772	312,165	**781,607**	816,121
Computer equipment	62,789	62,064	**725**	1,610
Furniture and equipment	44,663	44,663	**-**	-
	$ 1,276,224	$ 418,892	**$ 857,332**	$ 892,731

4. Payables and accruals

Included in payables and accruals are government remittances payable totalling $111,270 (2020 - $Nil).

5. Deferred project revenue

	2021	2020
Built Environment	**$ 57,229**	$ 65,111
Coastal	**68,367**	82,502
Cross Team	**63,600**	-
Endowment fund (Heliotrust)	**24,938**	24,738
Energy	**143,875**	121,535
Food Action	**100,173**	42,974
General projects	**203,910**	216,239
Marine issues	**381,423**	303,381
Transportation	**183,248**	98,092
Wilderness project	**250,052**	135,038
Total projects	**1,476,815**	1,089,610
EAC administration	**191,170**	108,211
	$ 1,667,985	$ 1,197,821

6. Deferred capital contributions

	2021	2020
Opening balance	**$ 377,350**	$ 415,966
Contribution received	**-**	-
Less: amortization	**(36,632)**	(38,616)
Ending balance	**$ 340,718**	$ 377,350

7. Mortgage payable

		2021		2020
Credit Union mortgage, bearing interest at 3.85%, repayable in blended weekly instalments of $619.32, amortized to May 8, 2035. As security against the mortgage, the Centre has provided an assignment of land and building.				
	$	**352,025**	$	366,224
Less: current portion due within one year		**18,684**		17,888
	$	**333,341**	$	348,336

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

2022	18,684
2023	19,876
2024	20,649
2025	21,451
2026	5,516

8. Commitments

The Centre is renting office equipment under a long term lease expiring in fiscal 2025. The minimum annual rent for the next 4 years is as follows:

2022	1,541
2023	1,541
2024	1,541
2025	1,541

9. Inter-fund transfers

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

The Operating Surplus transferred $382,807 (2020 - $66,000) to the Strategic Fund to be used for strategic projects or operational initiatives.

Strategic Fund transferred $66,000 (2020 - $Nil) to the Fern Lane Fund to be used for medium and long-term maintenance of the Fern Land property.

10. 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, 2021 (2020 - $Nil).

11. Project revenue

	2021	2020
Donations	$ **233,486**	$ 354,367
Expense recoveries	**-**	4,312
Foundations and private	**582,646**	428,622
Government	**637,259**	846,819
NGOs	**589,831**	587,719
Other	**7,648**	57,665
	2,050,870	2,279,504
Change in deferred project revenue	**(469,864)**	(109,225)
	1,581,006	2,170,279
Administrative fees (contribution to core)	**(173,587)**	(196,173)
Total project revenue	$ **1,407,149**	$ 1,974,106

12. Project expenses

	2021	2020
Communications	$ **62,144**	$ 130,555
Contracts and consultants	**229,698**	270,920
Materials, phone, equipment and rent	**58,705**	139,146
Other	**18,737**	26,910
Salaries	**1,009,110**	1,267,671
Training and conferences	**13,727**	18,633
Travel, meals and accommodation	**13,468**	107,340
Workshop events	**1,560**	12,931
Total project expenses	$ **1,407,149**	$ 1,974,106

13. 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.

To help mitigate the impacts of COVID-19, the Centre has claimed the Canada Emergency Wage Subsidy (“CEWS”) in the amount of $404,000 to be used to help cover salaries expenses.

Management and the board of directors have taken a conservative approach to the budgeting process for the year of 2022 to accommodate impacts 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.