ECOSCHOOLS CANADA

FINANCIAL STATEMENTS

AUGUST 31, 2017

HILBORN LLP

HILBORN LLP

Independent Auditor's Report

To the Members of
EcoSchools Canada

We have audited the accompanying financial statements of EcoSchools Canada, which comprise the statement of financial position as at August 31, 2017, and the statements of operations, changes in net assets and cash flows for the period from incorporation on February 27, 2017 to August 31, 2017, 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 audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of EcoSchools Canada as at August 31, 2017, and the results of its operations and its cash flows for the period from incorporation on February 27, 2017 to August 31, 2017 in accordance with Canadian accounting standards for not-for-profit organizations.

Hilborn LLP

Toronto, Ontario
January 15, 2018

Chartered Professional Accountants
Licensed Public Accountants

ECOSCHOOLS CANADA

Statement of Financial Position

August 31, 2017

	$
ASSETS	
Current assets	
Cash	**23,962**
Accounts receivable	**8,653**
	32,615
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	**11,069**
NET ASSETS	**21,546**
	32,615

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

Member

Member

ECOSCHOOLS CANADA

Statement of Operations

Period from incorporation on February 27, 2017 to August 31, 2017

	$
Revenues	
Corporate sponsorships	28,967
Certification fees	4,200
Individual sponsorships and other	17
	33,184
Expenses	
Accounting fees	9,059
Translation fees	1,874
Insurance	337
Bank charges	368
	11,638
Excess of revenues over expenses for period	21,546

Statement of Changes in Net Assets

Period from incorporation on February 27, 2017 to August 31, 2017

	$
Net assets, beginning of period	-
Excess of revenues over expenses for period	21,546
Net assets, end of period	21,546

The accompanying notes are an integral part of these financial statements

ECOSCHOOLS CANADA

Statement of Cash Flows

Period from incorporation on February 27, 2017 to August 31, 2017

	$
Cash flows from operating activities	
Excess of revenues over expenses for period	**21,546**
Change in non-cash working capital items	
Increase in accounts receivable	**(8,653)**
Increase in accounts payable and accrued liabilities	**11,069**
Net change in cash	**23,962**
Cash, beginning of period	**-**
Cash, end of period	**23,962**

The accompanying notes are an integral part of these financial statements

August 31, 2017

Nature of operations

EcoSchools Canada (the "Organization") was incorporated on February 27, 2017 under the Canada Not-for-Profit Corporations Act. The Organization aims to nurture environmental leadership, reduce the ecological impact of schools, and build environmentally responsible school communities. As a not-for-profit organization it has no liability for income tax under section 149(1)(l) of the Income Tax Act of Canada.

Incubated as a research project of the Faculty of Environmental Studies of York University, the Ontario EcoSchools program was established in 2005 by a consortium of seven school boards, Toronto and Region Conservation, and York University. The Ontario EcoSchools program has expanded to serve over 1,800 schools across the province. York University will transfer operations of Ontario EcoSchools to EcoSchools Canada between June and December 2017 (see note 3).

1. **Significant accounting policies**

These financial statements have been prepared in accordance with Canadian Accounting Standards for not-for-profit organizations and are in accordance with Part III of the CPA Canada Handbook - Accounting, and in accordance with Canadian generally accepted accounting principles. The financial statements have been prepared within the framework of the significant accounting policies summarized below.

(a) **Revenue recognition**

Revenue from sponsorships are recognized when the related services are provided. The Organization follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Certification fee revenue is recognized at the time a certification application is received.

(b) **Financial instruments**

(i) **Measurement of financial instruments**

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by transaction costs in the case where a financial assets or financial liability is subsequently measured at amortized cost.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, with the exception of cash which is recorded at fair value.

Amortized cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

Financial assets measured at amortized cost include accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

1. **Significant accounting policies (continued)**

(ii) **Impairment**

Financial assets measured at amortized cost are assessed for impairment annually for indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by holding the asset, discounted using a current market rate of interest appropriate to the asset; and

- the amount that could be realized by selling the asset at the statement of financial position date.

When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, directly or by adjusting the allowance account. The amount of the reversal is recognized in the statement of operations in the period the reversal occurs.

(c) **Donated material and services**

York University provided free rent which the Organization would have otherwise had to pay for. Volunteers contribute time to assist the Organization in carrying out its activities. These amounts are not reflected in the financial statements.

(d) **Management 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 amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Actual results may differ from these estimates, the impact of which would be recorded in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

2. **Financial instrument risk management**

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations at August 31, 2017.

August 31, 2017

2. **Financial instrument risk management (continued)**

The financial instruments of the Organization and the nature of the risks to which it may be subject are as follows:

	Risks				
			Market risk		
Financial instrument	Credit	Liquidity	Currency	Interest rate	Other price
Cash	X				
Accounts receivable	X				
Accounts payable and accrued liabilities		X			

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization reduces its exposure to credit risk associated with cash by holding it at a major Canadian bank. The Organization has exposure to credit risk in accounts receivable to a maximum of $8,653.

Liquidity risk

Liquidity risk is the risk that the Organization cannot repay its obligations when they become due to its creditors. The Organization meets its liquidity requirements by monitoring expenses against revenues and holding assets that can readily be converted into cash. The Organization has liquidity risk in accounts payable and accrued liabilities to a maximum of $11,069.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

(i) **Currency risk**

Currency risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was made to the Organization by a customer, or that an obligation in a foreign currency was entered into by the Organization to a supplier, is different at the time of settlement than it was at the time that the obligation originated.

The Organization has no exposure to currency risk because it undertakes no foreign-denominated transactions and has no foreign denominated financial instruments at year end.

(ii) **Interest rate risk**

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The Organization has no exposure to interest rate risk at year end as it has no financial instruments on which it pays or collects variable rate interest.

August 31, 2017

2. **Financial instrument risk management (continued)**

(iii) **Other price risk**

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The Organization is not exposed to other price risk arising from its financial instruments.

3. **Subsequent events**

The Organization and York University continue work to complete the transition plan whereby York University will transfer assets, assign funding agreements and transfer funds held under these agreements to EcoShools Canada. EcoShools Canada will assume certain purchasing contracts of York University.

In December 2017 York transferred $200,000 of unrestricted funding and it is expected that the following approximate amounts will come to the Organization from agreements formerly with York University:

	2018	**2019**	**2020**
	$	**$**	**$**
Ontario Minister of Education	300,000	500,000	500,000
Ontario Minister of Energy	300,000		

The Organization has an annual budget of approximately $1,500,000 which includes funding from the above sources in addition to funding under new government agreements and corporate sponsorships.

On September 1, 2017 the Organization received approval to become a registered charity.

The Organization entered into a 5 year premises lease agreement commencing May 1, 2018 for an approximate annual cost of $53,000.

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