ECOSCHOOLS CANADA

FINANCIAL STATEMENTS

AUGUST 31, 2018

HILBORN LLP

HILBORN LLP

Independent Auditor's Report

To the Board of Directors of
EcoSchools Canada

We have audited the accompanying financial statements of EcoSchools Canada, which comprise the statement of financial position as at August 31, 2018, and the statements of operations, 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 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, 2018, 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.

Hilborn LLP

Toronto, Ontario
December 18, 2018

Chartered Professional Accountants
Licensed Public Accountants

ECOSCHOOLS CANADA

Statement of Financial Position

August 31	2018 $	2017 $
ASSETS		
Current assets		
Cash	**310,250**	23,962
Term deposit	**17,250**	-
Accounts receivable	**107,577**	8,653
HST recoverable	**18,778**	-
Prepaid expenses	**6,033**	-
	459,888	32,615
Capital assets (note 3)	**22,221**	-
	482,109	32,615
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**25,377**	11,069
Deferred contributions (note 4)	**72,850**	-
	98,227	11,069
NET ASSETS	**383,882**	21,546
	482,109	32,615

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board:

Board of Directors

ECOSCHOOLS CANADA

Statement of Operations

Year ended August 31, 2018 with comparative figures for the period from incorporation on February 27, 2017 to August 31, 2017	2018 $	2017 $
Revenues		
Government and other grants (note 5)	**851,413**	-
Foundation grant	**7,500**	-
Donations	**52,661**	-
Corporate sponsorships	**61,645**	28,982
Contract fees	**31,000**	-
Certification fees	**3,600**	4,202
Conference	**18,304**	-
Other income	**4,285**	-
	1,030,408	33,184
Expenses		
Salaries and benefits	**552,086**	-
Certification	**143,615**	-
Conference	**29,973**	-
Workshops	**27,059**	-
School board grants	**51,539**	-
Administration	**82,022**	3,801
Rent	**22,143**	-
Professional fees	**17,074**	7,500
Marketing	**9,319**	-
Insurance	**2,036**	337
Amortization	**2,573**	-
	939,439	11,638
Excess of revenues over expenses for year	**90,969**	21,546

The accompanying notes are an integral part of these financial statements.

ECOSCHOOLS CANADA

Statement of Changes in Net Assets

Year ended August 31, 2018 with comparative figures for the period
from incorporation on February 27, 2017 to August 31, 2017

	Unrestricted $	Operating Reserve $	2018 Total $
Net assets, beginning of year	**21,546**	**-**	**21,546**
Excess of revenue over expenses for year	**90,969**	-	**90,969**
Transfer of net assets (note 6)	**5,000**	**266,367**	**271,367**
Net assets, end of year	**117,515**	**266,367**	**383,882**

	Unrestricted $	Operating Reserve $	2017 Total $
Net assets, beginning of period	-	-	**-**
Excess of revenue over expenses for period	21,546	-	21,546
Net assets, end of period	21,546	**-**	21,546

The accompanying notes are an integral part of these financial statements.

ECOSCHOOLS CANADA

Statement of Cash Flows

Year ended August 31, 2018 with comparative figures for the period from incorporation on February 27, 2017 to August 31, 2017	2018 $	2017 $
Cash flows from operating activities		
Excess of revenues over expenses for year	**90,969**	21,546
Adjustment to determine net cash provided by (used in) operating activities		
Amortization	**2,573**	-
	93,542	21,546
Change in non-cash working capital items		
Increase in accounts receivable	**(98,924)**	(8,653)
Increase in prepaid expenses	**(6,033)**	-
Increase in accounts payable and accrued liabilities	**14,307**	11,069
Increase in deferred contributions	**72,850**	-
Increase in HST recoverable	**(18,778)**	-
	56,964	23,962
Cash flows from investing activities		
Purchase of capital assets	**(19,793)**	-
Cash flows from financing activities		
Purchase of term deposit	**(17,250)**	-
Transfer of net assets	**266,367**	-
	249,117	-
Net change in cash	**286,288**	23,962
Cash, beginning of year	**23,962**	-
Cash, end of year	**310,250**	23,962

The accompanying notes are an integral part of these financial statements.

August 31, 2018

Nature of operations

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

1. **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:

(a) **Revenue recognition**

Contributions

The Organization follows the deferral method of accounting for contributions.

Restricted contributions, primarily grants, are deferred and recognized as revenue in the year in which the related expenses are incurred.

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.

Sponsorships

Revenue from sponsorships are recognized when the sponsored events or activities are undertaken.

Certification

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

Contract fees

Contract fees are recognized as revenue evenly over the term of the contract.

August 31, 2018

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

(b) **Capital assets**

The costs of capital assets are capitalized upon meeting the criteria for recognition as capital asset, otherwise, costs are expensed as incurred. The cost of capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

Capital assets are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is provided for, upon the commencement of the utilization of the assets, using methods and rates designed to amortize the cost of the property and equipment over their estimated useful lives. The annual amortization rates and methods are as follows:

Amortization of office equipment is recorded on a straight-line basis over 4 years.

Amortization of leasehold improvement is recorded on a straight-line basis over 5 year lease term.

A capital asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If any potential impairment is identified, the amount of the impairment is quantified by comparing the carrying value of the capital asset to its fair value. Any impairment of the capital asset is recognized in income in the year in which the impairment occurs.

An impairment loss is not reversed if the fair value of the capital asset subsequently increases.

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

(c) **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.

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 cash, term deposit and accounts receivable.

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

(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.

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

(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, 2018.

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			X	
Term deposit	X			X	
Accounts receivable	X				
Accounts payable and accrued liabilities		X			

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

Credit risk

The Organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the Organization could incur a financial loss. The Organization does not hold directly any collateral as security for financial obligation of counterparties.

The maximum exposure of the Organization to credit risk is as follows:

	2018 $	2017 $
Cash	310,250	23,962
Term deposit	17,250	-
Accounts receivable	107,577	-
	435,077	23,962

The Organization reduces its exposure to the credit risk of cash and term deposit by maintaining balances with a Canadian financial institution.

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 $25,377 (2017 - $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.

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.

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

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 minimal exposure to interest rate risk in its cash balances and term deposit.

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.

Change in risk

There have been no changes in the Organization's risk exposure from the prior year.

3. **Capital assets**

	Cost $	Accumulated Amortization $	2018 Net $
Office equipment	6,429	1,056	5,373
Leasehold improvements	18,364	1,516	16,848
	24,793	2,572	22,221

During the year, the Organization received a leasehold inducement of $10,920 from its landlord which reduced the Organization's cost of the leasehold improvement additions.

4. Deferred contributions

	2018 $
Ministry of Education - French Language Program	30,000
TD Bank Group	30,000
Koru Distribution	11,000
ECO Canada	1,850
	72,850

5. Government and other grants

	2018 $
Ministry of Education - Curriculum Assessment and Policy	345,540
Ministry of Energy	298,383
Ministry of Education French Language Program	84,050
Centre de leadership et d'évaluation	84,430
Ministry of Environment and Climate Change	25,000
ECO Canada	10,650
Canada Summer Jobs	3,360
	851,413

6. Transfer of net assets and internal restriction

The Ontario EcoSchools program was established in 2005 by a consortium of seven school boards, Toronto and Region Conservation, and York University, and incubated as a research project of the Faculty of Environmental Studies of York University. In 2017, EcoSchools Canada was incorporated and has operated independently since January 2018.

During the fiscal year 2018, net assets that were previously held in trust by York University in the amount of $266,367 were transferred to the Organization. In addition capital assets that were previously owned and used by EcoSchools Canada were also transferred to the Organization. The fair value at the time of the transfer was $5,000.

The Board of Directors of the Organization has internally restricted the $266,367 in net assets as an operating reserve. The internal restriction is subject to the direction of the board of directors.

7. Commitments

The Organization is committed to lease its office premises until April 30, 2023. The future annual lease payments, including an estimate of premises common area expenses, are as follows:

	$
2019	52,866
2020	53,321
2021	54,231
2022	54,686
2023	37,064
	252,168

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