ECOSCHOOLS CANADA

FINANCIAL STATEMENTS

AUGUST 31, 2021

HILBORN LLP

Independent Auditor's Report

To the Directors of EcoSchools Canada

Opinion

We have audited the financial statements of EcoSchools Canada (the "Organization"), which comprise the statement of financial position as at August 31, 2021, and the statements of operations, changes in 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at August 31, 2021, 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.

Basis for Opinion

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 Organization 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 opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 ability of the Organization 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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Organization.

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 the 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 internal control of the Organization.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 ability of the Organization 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 Organization 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Hilborn LLP

Toronto, Ontario
December 21, 2021

Chartered Professional Accountants
Licensed Public Accountants

ECOSCHOOLS CANADA

Statement of Financial Position

August 31	2021 $	2020 $
ASSETS		
Current assets		
Cash	**141,526**	164,650
Accounts receivable (note 7)	**143,087**	45,916
HST recoverable	**11,412**	8,728
Prepaid expenses	**4,015**	4,611
	300,040	223,905
Capital assets (note 3)	**3,266**	13,278
Intangible asset (note 4)	**266,680**	169,630
	569,986	406,813
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**65,430**	54,716
Deferred contributions (note 5)	**156,408**	32,500
	221,838	87,216
Loan payable (note 6)	**60,000**	40,000
	281,838	127,216
NET ASSETS		
Unrestricted	**136,781**	128,230
Operating reserve	**151,367**	151,367
	288,148	279,597
	569,986	406,813

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

Approved on behalf of the Board:

Director

ECOSCHOOLS CANADA

Statement of Operations

Year ended August 31	2021 $	2020 $
Revenues (note 9)		
Foundation grants	**208,500**	214,000
Government subsidies (note 7)	**205,605**	155,230
Program service fees	**139,200**	17,000
Corporate sponsorships	**101,074**	64,800
Contract fees	**84,229**	118,720
Other grants	**40,093**	10,575
Donations	**16,820**	43,579
Other income	**53,785**	31,057
	849,306	654,961
Expenses		
Salaries and benefits	**610,454**	591,967
Rent	**57,434**	51,310
Administration	**49,830**	78,534
Amortization of intangible asset	**40,910**	-
Program	**28,594**	19,794
Maintenance fees	**28,322**	10,135
Amortization of capital assets	**12,112**	6,089
Professional fees	**10,910**	8,617
Insurance	**2,189**	2,221
	840,755	768,667
Excess of revenues over expenses (expenses over revenues) for year	**8,551**	(113,706)

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

Statement of Changes in Net Assets

Year ended August 31

	Unrestricted $	Operating Reserve $	2021 Total $
Net assets, beginning of year	128,230	151,367	279,597
Excess of revenues over expenses	8,551	-	8,551
Net assets, end of year	136,781	151,367	288,148

	Unrestricted $	Operating Reserve $	2020 Total $
Net assets, beginning of year	126,936	151,367	393,303
Transfer to unrestricted	115,000	(115,000)	-
Excess of expenses over revenues	(133,706)	-	(133,706)
Net assets, end of year	128,230	151,367	279,597

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

ECOSCHOOLS CANADA

Statement of Cash Flows

Year ended August 31	2021 $	2020 $
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues) for year	**8,551**	(113,706)
Adjustments to determine net cash provided by (used in) operating activities		
Amortization of capital assets	**12,112**	6,089
Amortization of intangible assets	**40,910**	-
	61,573	(107,617)
Change in non-cash working capital items		
Decrease (increase) in accounts receivable	**(97,171)**	106,613
Decrease (increase) in HST recoverable	**(2,684)**	(14,052)
Decrease in prepaid expenses	**596**	3,787
Increase in accounts payable and accrued liabilities	**10,714**	31,125
Increase in deferred contributions	**123,908**	32,500
	96,936	52,356
Cash flows from investing activities		
Purchase of capital assets	**(2,100)**	-
Purchase of intangible asset	**(137,960)**	(152,480)
	(140,060)	(152,480)
Cash flows from financing activities		
Increase in loan payable	**20,000**	40,000
Net change in cash	**(23,124)**	(60,124)
Cash, beginning of year	**164,650**	224,774
Cash, end of year	**141,526**	164,650

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

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

Unrestricted grants and donations 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 fees are recognized as revenue over the course of the school year when services are delivered.

Contract and Program service fees

These fees are recognized as revenue when services have been rendered.

Government subsidies

Government subsidies are recognized when the related expenses are incurred.

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

(b) **Capital assets**

The costs of capital assets are capitalized upon meeting the criteria for recognition as a capital asset, otherwise, costs are expensed as incurred. The cost of a 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 the 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.

(c) **Intangible asset**

The costs of an intangible asset are capitalized upon meeting the criteria for recognition as an intangible asset. The costs of an intangible asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

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

Amortization will be provided for, on commencement of the utilization of the asset, on a straight line basis at a rate designed to amortize the cost of the intangible asset over its estimated useful life. The amortization of the national certification platform is recorded on a straight-line basis over 5 years. Assets not ready for use are not amortized until used in a productive capacity.

An intangible 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 intangible asset to its fair value. Any impairment of the intangible 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 intangible asset subsequently increases.

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

(d) **Financial instruments**

(i) **Measurement of financial instruments**

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by the amount of transaction costs directly attributable to the instrument.

The Organization subsequently measures all of 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 and accounts receivable.

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

(ii) **Impairment**

At the end of each year, the Organization assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Organization, including but not limited to the following events: significant financial difficulty of the issuer; a breach of contract, such as a default or delinquency in interest or principal payments; and bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, the Organization determines whether a significant adverse change has occurred during the year in the expected timing or amount of future cash flows from the financial asset.

When the Organization identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the financial asset to the greater of the following:

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

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

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

(d) **Financial instruments (continued)**

(ii) **Impairment (continued)**

Any impairment of the financial asset is recognized in income in the year in which the impairment occurs.

When the extent of impairment of a previously written-down financial 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, but not in excess of the impairment loss. The amount of the reversal is recognized in income in the year the reversal occurs.

(e) **Management estimates**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make judgments, estimates and assumptions that affect the application of accounting policies and 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 year. Actual results may differ from these estimates, the impact of which would be recorded in future years.

(f) **Contributed services**

The work of the Organization is dependent on the voluntary service of many individuals. Since these services are not normally purchased by the Organization and because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

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.

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

	Risks				
			Market risk		
Financial instrument	Credit	Liquidity	Currency	Interest rate	Other price
Accounts receivable	X				
Accounts payable and accrued liabilities		X			
Loan payable		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 obligations of counterparties.

The Organization has credit risk in its accounts receivable to a maximum of $143,087 (2020 - $45,916).

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet a demand for cash or fund its obligations as they come due.

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, accrued liabilities and loan payable to a maximum of $125,430 (2020 - $94,716).

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 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 foreign exchange rates.

The Organization has no exposure to currency risk.

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.

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.

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

Change in risk

There have been no significant changes in the risk profile of the financial instruments of the Organization from that of the prior year.

3. **Capital assets**

	Cost $	Accumulated Amortization $	2021 Net $
Office equipment	11,765	8,499	3,266

	Cost $	Accumulated Amortization $	2020 Net $
Office equipment	9,665	5,889	3,776
Leasehold improvements	18,364	8,662	9,502
	28,029	14,551	13,278

During the year, the leasehold improvements were fully amortized as the office lease was terminated as described in note 8.

4. **Intangible asset**

	Cost $	Accumulated Amortization $	2021 Net $
National certification platform	307,590	40,910	266,680

	Cost $	Accumulated Amortization $	2020 Net $
National certification platform - under development	169,630	-	169,630

The platform was launched in September 2020.

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5. Deferred contributions

	2021 $	2020 $
Foundation grants	89,000	12,500
Corporate sponsorships	40,483	-
Program service fees	13,500	20,000
Contract fees	13,246	-
Other	179	-
	156,408	32,500

6. Loan payable

The Organization has received COVID relief loans under the Canadian Emergency Business Account program totalling $60,000 for the payment of non-deferrable expenses. The loan is non-interest bearing until December 31, 2022 and 33% of the loan is forgivable if the Company repays the balance by that date. The loan bears interest at 5.5% subsequent to December 31, 2022 and is repayable by December 31, 2025.

7. Government subsidies

During the year, the Organization claimed $184,892 (2020 - $149,721) in government relief from the Canada Emergency Wage Subsidy program as a result of the COVID-19 pandemic. Included in accounts receivable are $5,716 (2020 - $34,367) from this program. The Organization claimed $20,713 (2020 - nil) from the Canada Emergency Rent Subsidy program as a result of the COVID-19 pandemic. Included in accounts receivable is $ 619 (2020 - nil) from this program.

These subsidies are not subject to any specific future repayment terms or conditions; however, the Canada Revenue Agency may require additional reporting in a future period to verify the Organization's eligibility and compliance with terms and conditions.

8. Commitments

During the year, the Organization cancelled its existing office lease, and signed an agreement for a shared facility with an initial term ending in November 2021. Subsequent to the initial term, the agreement is on a month-to-month basis with a two-month minimum notice period. The remaining commitment of future lease payments for 2022 is $9,900.

9. Impact of the COVID-19 pandemic

In March 2020, the global pandemic of the virus known as COVID-19 led the Canadian Federal government, as well as provincial and local governments, to impose measures, such as restricting foreign travel, mandating self-isolations and physical distancing and closing non-essential businesses. These measures continued to impact the operations of the Organization.

To aid with cash flows, the Organization applied for loans under the Canada Emergency Business Account program as described in note 6, and the Organization continued to receive government subsidies as described in note 7.

Because of the high level of uncertainty related to the outcome of this pandemic, it is difficult to reliably estimate the financial effect on the Organization at this time. As such, no adjustments have been made in the financial statements as a result of this event, other than the loans received under the Canada Emergency Business Account program as described in note 6, and the government subsidies received as described in note 7.

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