ECOSCHOOLS CANADA

FINANCIAL STATEMENTS

AUGUST 31, 2023

HILBORN LLP

HILBORN LLP

Independent Auditor's Report

To the Board of 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, 2023, 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, 2023, 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.

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Independent Auditor's Report (continued)

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

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.
- 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
January 13, 2024

Chartered Professional Accountants
Licensed Public Accountants

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ECOSCHOOLS CANADA

Statement of Financial Position

August 31	2023 $	2022 $
ASSETS		
Current assets		
Cash	**405,666**	206,580
Short term investment (note 3)	**50,000**	-
Accounts receivable	**98,047**	128,097
HST recoverable	**9,561**	1,394
Prepaid expenses	**56,024**	1,602
	619,298	337,673
Capital assets (note 4)	**1,296**	2,205
Intangible asset (note 5)	**347,311**	274,404
	967,905	614,282
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**63,226**	25,006
Deferred revenue and contributions (note 6)	**377,106**	241,381
Current portion of loan payable (note 7)	**37,500**	-
	477,832	266,387
Loan payable (note 7)	**-**	52,500
	477,832	318,887
NET ASSETS		
Unrestricted	**88,706**	144,028
Operating reserve	**401,367**	151,367
	490,073	295,395
	967,905	614,282

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

Director

Director

ECOSCHOOLS CANADA

Statement of Operations

Year ended August 31	2023 $	2022 $
Revenues		
Grants	**317,286**	158,826
Program service fees	**291,245**	251,003
Contract fees	**256,612**	280,908
Foundation grants	**226,411**	265,838
Corporate sponsorships	**94,685**	82,664
Donations	**34,937**	6,501
Other	**6,614**	5,119
Conference	**357**	37
	1,228,147	1,050,896
Expenses		
Salaries and benefits	**649,028**	736,671
Amortization of intangible assets	**91,878**	71,443
Maintenance fees	**84,888**	49,540
Partnership	**80,794**	22,000
Administration	**62,012**	73,051
Conference	**28,008**	10,659
Rent	**19,445**	37,900
Professional fees	**11,653**	11,503
Program	**3,099**	25,873
Insurance	**1,754**	1,609
Amortization of capital assets	**585**	3,400
Write off of capital assets	**325**	-
	1,033,469	1,043,649
Excess of revenues over expenses for the year	**194,678**	7,247

The accompanying notes are an integral part of these financial statements

ECOSCHOOLS CANADA

Statement of Changes in Net Assets

Year ended August 31	Unrestricted $	Operating Reserve $	2023 Total $
Net assets, beginning of year	**144,028**	**151,367**	295,395
Excess of revenues over expenses for the year	**194,678**	**-**	194,678
Interfund transfer	**(250,000)**	**250,000**	-
Net assets, end of year	**88,706**	**401,367**	490,073

	Unrestricted $	Operating Reserve $	2022 Total $
Net assets, beginning of year	**136,781**	**151,367**	288,148
Excess of revenues over expenses for the year	**7,247**	**-**	7,247
Net assets, end of year	**144,028**	**151,367**	295,395

The accompanying notes are an integral part of these financial statements

ECOSCHOOLS CANADA

Statement of Cash Flows

Year ended August 31	2023 $	2022 $
Cash flows from operating activities		
Excess of revenues over expenses for the year	**194,678**	7,247
Adjustments for non-cash items		
Amortization of capital assets	**585**	3,400
Amortization of intangible assets	**91,878**	71,443
Write off of capital assets	**325**	-
	287,466	82,090
Change in non-cash working capital items		
Decrease in accounts receivable	**30,050**	14,990
Increase (decrease) in HST recoverable	**(8,167)**	10,018
Decrease (increase) in prepaid expenses	**(54,422)**	2,413
Increase (decrease) in accounts payable and accrued liabilities	**38,220**	(40,424)
Increase in deferred contributions	**135,725**	84,973
	428,872	154,060
Cash flows from investing activities		
Purchase of capital assets	**-**	(2,339)
Purchase of intangible asset	**(164,786)**	(79,167)
Purchase of short term investment	**(50,000)**	-
	(214,786)	(81,506)
Cash flows from financing activities		
Repayment of loan payable	**(15,000)**	(7,500)
Net change in cash	**199,086**	65,054
Cash, beginning of year	**206,580**	141,526
Cash, end of year	**405,666**	206,580

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) **Basis of accounting**

Unrestricted net assets account for the day-today service activities of the Organization.

The Board of Directors has internally restricted net assets to be used for specific purposes. These funds are not available for operating purposes without approval of the Board of Directors. The operating reserve was established by the Board of Directors to respond to varying economic conditions and changes affecting the Organization's financial position and the ability of the Organization to continuously carry out its mission. During the 2023 fiscal year, the Board of Directors approved a transfer of $250,000 (2022 - $NIL) from the unrestricted net assets.

(b) **Revenue recognition**

Contributions

The Organization follows the deferral method of accounting for contributions. Restricted grants and donations are deferred and recognized as revenue in the year in which the related expenses are incurred.

Unrestricted grants and donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Sponsorships

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

Contract and program service fees are recognized as revenue when services have been rendered.

Government subsidies

Government subsidies are recognized when the related expenses are incurred.

August 31, 2023

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

(c) **Short term investment**

The short term investment is recorded at cost plus accrued interest.

(d) **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:

Office equipment	Straight-line basis over 4 years

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.

(e) **Intangible assets**

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)**

(f) **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, accounts receivable and short term investment. 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.

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.

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

(g) **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.

(h) **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				
Short term investment				X	
Accounts payable and accrued liabilities		X			
Loan payable		X			

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 $98,047 (2022 - $128,097).

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

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 $100,726 (2022 - $77,506).

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. The Organization is not exposed to currency or other price risks.

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 is exposed to interest rate risk on its short term investment and loan payable as described in notes 3 and 7.

Changes 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. **Short-term investment**

The short-term investment consists of a $50,000 guaranteed investment certificate earning interest at 3% per annum, maturing on December 9, 2023.

August 31, 2023

4. **Capital assets**

	2023		
	Cost $	Accumulated Amortization $	Net Book Value $
Office equipment	2,339	1,043	1,296

	2022		
	Cost $	Accumulated Amortization $	Net Book Value $
Office equipment	14,104	11,899	2,205

5. **Intangible assets**

	2023		
	Cost $	Accumulated Amortization $	Net Book Value $
National certification platform	551,543	204,232	347,311

	2022		
	Cost $	Accumulated Amortization $	Net Book Value $
National certification platform	386,757	112,353	274,404

6. Deferred revenue and contributions

Details of the deferred contributions are as follows:

	2023 $	2022 $
Balance, beginning of year	241,381	156,408
Add: Amounts received during the year	709,825	1,112,014
Less: Amounts recognized as revenue during the year	(574,100)	(1,027,041)
Balance, end of year	377,106	241,381

Deferred revenue balance consists of:

	2023 $	2022 $
Foundation grants	302,405	133,584
Corporate sponsorships	12,500	7,500
Program service fees	49,000	87,051
Contract fees	13,201	13,246
	377,106	241,381

7. Loan payable

The Organization received COVID relief loans under the Canadian Emergency Business Account program for the payment of non-deferrable expenses. The loan is non-interest bearing until January 18, 2024 and 33% of the loan is forgivable if the Organization repays the balance by that date. The loan bears interest at 5% subsequent to December 31, 2023 and is repayable by December 31, 2025. During the 2023 fiscal year, the Organization repaid $15,000 (2022 - $8,500) towards the balance of the loan.

8. Comparative figures

Certain of the comparative figures in the statement of operations have been reclassified where applicable, to conform to the presentation adopted in the current year. There is no impact on the excess of revenues over expenses for the year.

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