

ECOEQUITABLE INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018



MCCAY DUFF LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Members of
EcoEquitable Inc.

Qualified Opinion

We have audited the financial statements of EcoEquitable Inc. (the "Organization"), which comprise the statement of financial position as at December 31, 2018, and the statement of operations, statement of net assets and statement of 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 matters 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 the Organization as at December 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.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donations and the sale of donated goods, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to donation revenue, revenue from boutique sales, net revenue for the years ended December 31, 2018 and December 31, 2017 and current assets and net asset balance - end of year as at December 31, 2018 and December 31, 2017. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

We were not able to observe the counting of the physical inventories as at December 31, 2018, which are stated in the statements of financial position at \$26,421, or satisfy ourselves concerning those inventory quantities by alternative means. As a result of this matter, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories as at December 31, 2018, cost of goods sold and net revenue (expenses) for the year ended December 31, 2018 and net asset balance - end of year as at December 31, 2018.

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INDEPENDENT AUDITORS' REPORT

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' 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 qualified 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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.

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INDEPENDENT AUDITORS' REPORT

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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.

McCay Duff LLP

McCay Duff LLP,
Licensed Public Accountants.

Ottawa, Ontario,
November 26, 2019.

ECOEQUITABLE INC.

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	ASSETS	
	<u>2018</u>	<u>2017</u>
CURRENT		
Cash	\$ 3,214	\$ 51,890
Accounts receivable	17,930	9,439
Inventory	26,421	-
Prepaid expenses	<u>977</u>	<u>635</u>
	48,542	61,964
CAPITAL ASSETS (note 4)	<u>7,980</u>	<u>-</u>
	<u>\$ 56,522</u>	<u>\$ 61,964</u>
	LIABILITIES	
CURRENT		
Accounts payable and accrued liabilities (note 5)	\$ 38,805	\$ 7,929
Deferred revenue	12,633	4,298
Deferred contributions (note 6)	<u>930</u>	<u>57,507</u>
	52,368	69,734
	NET ASSETS	
UNRESTRICTED (DEFICIT)	<u>4,154</u>	<u>(7,770)</u>
	<u>\$ 56,522</u>	<u>\$ 61,964</u>

Commitment (note 7)

Approved on behalf of the Board:

Director

Director

ECOEQUITABLE INC.

STATEMENT OF NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
BALANCE - BEGINNING OF YEAR	\$(7,770)	\$ 916
Net revenue (expenses) for the year	<u>11,924</u>	<u>(8,686)</u>
BALANCE (DEFICIT) - END OF YEAR	<u>\$ 4,154</u>	<u>\$(7,770)</u>

ECOEQUITABLE INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
REVENUE		
Grants	\$ 348,357	\$ 164,448
Sewing	180,737	99,462
Class fees	71,122	56,569
Boutique sales	19,881	22,541
Donations	18,187	9,698
Other	4,233	638
Fundraising	<u>-</u>	<u>19,917</u>
	642,517	373,273
COST OF GOODS SOLD		
	<u>287,464</u>	<u>177,976</u>
	355,053	195,297
EXPENSES		
Salaries and wages	228,746	113,868
Rent	41,610	38,941
Office	18,871	22,157
Professional fees	14,912	7,930
Transportation	11,691	2,038
Supplies	6,845	4,094
Repairs and maintenance	3,333	851
Miscellaneous	3,221	1,432
Dues and subscriptions	3,096	292
Advertising	2,884	8,527
Insurance	2,191	1,923
Bad debts	1,600	-
Telephone	1,458	1,430
Training	1,431	500
Amortization	<u>1,240</u>	<u>-</u>
	<u>343,129</u>	<u>203,983</u>
NET REVENUE (EXPENSES) FOR THE YEAR	<u><u>\$ 11,924</u></u>	<u><u>\$ (8,686)</u></u>

ECOEQUITABLE INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		
Net revenue (expenses) for the year	\$ 11,924	\$(8,686)
Items not requiring an outlay of cash:		
- amortization	<u>1,240</u>	<u>-</u>
	13,164	(8,686)
 Changes in non-cash working capital		
- accounts receivable	(8,491)	(3,668)
- inventory	(26,421)	-
- prepaid expenses	(345)	98
- accounts payable and accrued liabilities	30,879	(1,046)
- deferred revenue	8,335	(5,790)
- deferred contributions	<u>(56,577)</u>	<u>23,887</u>
	(39,456)	4,795
 INVESTING ACTIVITIES		
Purchase of capital assets	(9,220)	-
 INCREASE (DECREASE) IN CASH DURING THE YEAR	<u>(48,676)</u>	<u>4,795</u>
Cash - beginning of year	<u>51,890</u>	<u>47,095</u>
 CASH - END OF YEAR	<u><u>\$ 3,214</u></u>	<u><u>\$ 51,890</u></u>

ECOEQUITABLE INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. ORGANIZATION

EcoEquitable Inc. was incorporated without share capital under the Ontario Business Corporations Act. The purpose of the Organization is to provide a bridge to social and economic integration for people in need, especially immigrant women, while also promoting sustainable business practices. The Organization is a registered charity under the Income Tax Act and exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Organization's significant accounting policies are as follows:

(a) Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Unrestricted contributions, including operating grants are recognized as revenue in the year in which they are received or receivable if the amount can be reasonably estimated, and collection is reasonably assured. Restricted contributions to fund a specific project are recognized as revenue in the year in which related restrictions are met.

Boutique sales and sewing revenues are recognized as revenue in the period in which the goods pass title to the customer or the services are performed.

Class fees are recognized in the period in which the class is held.

(b) Capital Assets and Amortization

During the year, the Organization implemented a change in accounting policy regarding capital assets as it no longer qualifies as a small not-for-profit organization as defined by section 4433.04 of Canadian accounting standards for not-for-profit organizations. In prior periods, tangible capital assets were expensed in the year of acquisition. In the current year, the Organization has adopted a policy that tangible capital assets will be recognized at cost less amortization. This change in accounting policy has been accounted for retrospectively but no adjustment was required to the comparative figures as a result of the change.

Capital assets are stated at cost, net of accumulated amortization. Amortization is provided as follows:

Computer equipment	3 Years	Straight line basis
Sewing equipment	5 Years	Straight line basis

One-half of the above rates are recorded in the year of acquisition.

ECOEQUITABLE INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(c) Inventories

Inventories are measured at the lower of cost and net realizable value, with cost being determined using the weighted average cost method. Cost includes purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling costs.

(d) Use of Estimates

The preparation of 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, liabilities, revenues and expenditures and disclosure of contingent assets and liabilities. These estimates are reviewed periodically and adjustments are made to net revenue (expenses) as appropriate in the year they become known.

(e) Financial Instruments

The Organization's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities.

Measurement

Financial instruments are recorded at fair value on initial recognition.

The Organization subsequently measures all of its financial assets and financial liabilities at amortized cost.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down or subsequent recovery is recognized in net revenue (expenses) for the year

(f) Volunteer Services

The Organization receives the services of many volunteers, the cost of which cannot be reasonably estimated. Therefore, no representation of this expenditure has been included in these financial statements.

ECOEQUITABLE INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(g) Donated Materials

The Organization receives donated sewing supplies, the cost of which cannot be reasonably estimated. Therefore, no representation of this expenditure has been included in these financial statements. These supplies are used both in the Organization's operations, as well as being sold in its boutique.

3. FINANCIAL RISKS AND CONCENTRATION OF RISKS

It is management's assessment that the Organization is not exposed to significant liquidity, interest rate, credit, market or currency risks arising from its financial instruments.

4. CAPITAL ASSETS

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment	\$ 4,765	\$ 794	\$ 3,971	\$ -
Sewing equipment	<u>4,455</u>	<u>446</u>	<u>4,009</u>	<u>-</u>
	<u>\$ 9,220</u>	<u>\$ 1,240</u>	<u>\$ 7,980</u>	<u>\$ -</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of \$20,772 (2017 - \$Nil), which includes amounts payable for HST and payroll related taxes.

6. DEFERRED CONTRIBUTIONS

These contributions relate to specific projects. Deferred contributions represent the unspent balance of this funding as at December 31, 2018.

	<u>Balance - Beginning of Year</u>	<u>Amounts Received</u>	<u>Revenue Recognized</u>	<u>Balance - End of Year</u>
Grants	<u>\$ 57,507</u>	<u>\$ 281,456</u>	<u>\$ 338,033</u>	<u>\$ 930</u>

ECOEQUITABLE INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

7. COMMITMENT

The Organization has leased office space for a one year period which expires March 31, 2020 at a fee of \$33,564, including HST.

8. ONTARIO TRILLIUM FOUNDATION, THE MINISTER OF EMPLOYMENT AND SOCIAL DEVELOPMENT AND THE CITY OF OTTAWA

Grants received from the Ontario Trillium Foundation, the Minister of Employment and Social Development and the City of Ottawa are subject to specific terms and conditions regarding the expenditure of the funds. The Organization's accounting records are subject to audit by the grant providers to identify instances, if any, in which amounts charged against contributions have not complied with the agreed terms and conditions and which therefore would be refundable. Adjustments, if any, to prior years' contributions are recorded in the year in which the grant providers request the adjustments. No audits were performed in the current fiscal year by the Ontario Trillium Foundation, the Minister of Employment and Social Development and the City of Ottawa.

9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current financial statement presentation.