

ETC GROUP
ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

FINANCIAL STATEMENTS

AUGUST 31, 2009

ETC GROUP
ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

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AUDITORS' REPORT

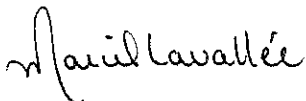
To the Board of Directors
ETC Group: action group on erosion, technology and concentration

We have audited the statement of financial position of ETC Group: action group on erosion, technology and concentration as at August 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Organization derives revenue from donations, the completeness of which is not susceptible of 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 donations, excess of revenues over expenses, assets and net assets.

In our opinion, except for the effect of the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Organization as at August 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants, Licensed Public Accountants

Ottawa, Ontario
September 30, 2009

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Nos partenaires canadiens et internationaux BHD™
Our Canadian and International Affiliates IAPA

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED AUGUST 31, 2009

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	2009	2008
REVENUE (Schedule A)	\$ 1,031,802	\$ 926,156
OPERATING EXPENSES		
Salaries and benefits	587,928	521,472
Travel	76,043	75,738
Meetings	99,626	40,964
Consulting fees	62,138	28,174
Rent	39,264	37,920
Office	23,381	19,048
Telecommunications	22,472	16,764
Professional fees	18,597	6,186
Books, printing and distribution	16,859	18,781
Maintenance and repairs	6,900	6,450
Interest and service charges	4,601	4,580
Insurance	4,076	3,825
Website management	8,886	3,142
Regional coordinators	-	43,587
Foreign exchange (gain) loss	(83,688)	4,857
Amortization of capital assets	9,450	8,435
Portion of operating expenses charged to projects	(80,326)	(114,666)
	816,207	725,257
PROJECT EXPENSES (Schedule B)	201,088	201,667
	1,017,295	926,924
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 14,507	\$ (768)

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STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2009

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	Internally restricted		Invested in capital assets	Unrestricted	2009 Total	2008 Total
	Building acquisition reserve	Six-month operating reserve				
BALANCE, BEGINNING OF YEAR	\$ 300,000	\$ 350,000	\$ 23,168	\$ 16,146	\$ 689,314	\$ 690,082
Excess (deficiency) of revenue over expenses	-	-	(9,450)	23,957	14,507	(768)
Investment in capital assets	-	-	10,417	(10,417)	-	-
BALANCE, END OF YEAR	\$ 300,000	\$ 350,000	\$ 24,135	\$ 29,686	\$ 703,821	\$ 689,314

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2009

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	2009	2008
ASSETS		
CURRENT ASSETS		
Cash	\$ 640,525	\$ 91,406
Short-term investment, 1.9%, maturing October 21, 2009	250,000	106,000
Funding receivable (note 4)	234,073	732,107
Other receivable	17,943	18,229
Prepaid expenses	31,218	5,634
	1,173,759	953,376
CAPITAL ASSETS (note 5)	24,135	23,168
	\$ 1,197,894	\$ 976,544
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 40,029	\$ 18,079
Deferred revenue (note 6)	454,044	269,151
	494,073	287,230
NET ASSETS		
Unrestricted	29,686	16,146
Invested in capital assets	24,135	23,168
Internally restricted		
- Six-month operating reserve	350,000	350,000
- Building acquisition reserve	300,000	300,000
	703,821	689,314
	\$ 1,197,894	\$ 976,544

ON BEHALF OF THE BOARD

_____, Director

_____, Director

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2009

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	2009	2008
OPERATING ACTIVITIES (note 7)		
Excess (deficiency) of revenue over expenses	\$ 14,507	\$ (768)
Adjustments for:		
Amortization of capital assets	9,450	8,435
Loss on disposal of capital assets	-	948
	23,957	8,615
Net change in non-cash working capital items (note 7)	679,579	(64,423)
	703,536	(55,808)
INVESTING ACTIVITIES		
Acquisition of capital assets	(10,417)	(12,564)
Proceeds from disposal of capital assets	-	1,734
	(10,417)	(10,830)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	693,119	(66,638)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	197,406	264,044
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 890,525	\$ 197,406

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

NOTES TO FINANCIAL STATEMENTS

AS AT AUGUST 31, 2009

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1. STATUTE AND NATURE OF OPERATIONS

ETC Group: action on erosion, technology and concentration is a registered charitable organization incorporated without share capital under the Canada Corporation Act.

ETC Group is dedicated to the conservation and sustainable advancement of cultural and ecological diversity and human rights. To this end, ETC Group supports socially responsible developments of technologies useful to the poor and marginalized and it addresses international governance issues and corporate power.

The Organization is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that impact on the measure of assets and liabilities, the disclosure of contingent assets and liabilities and the amounts of revenue and expenses reported in the financial statements. Actual results may vary from these estimates.

General standards of financial information presentation

The Canadian Institute of Chartered Accountants (CICA) amended Handbook Section 1400, "General Standards of Financial Statement Presentation" to include the requirement that management shall make an assessment of the entity's ability to continue as a going concern. These changes came into effect on January 1, 2008 and did not have an impact on the financial statements.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are 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.

Operating expenses charged to projects

Salaries, benefits and other operating expenses are charged to the projects according to management's best estimates of the time and expenses spent on these projects.

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

NOTES TO FINANCIAL STATEMENTS

AS AT AUGUST 31, 2009

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions

The Organization uses the temporal method to translate its foreign currency transactions. Monetary assets and liabilities are translated at the rate of exchange in effect at year end. Other assets and liabilities are translated at their historic rates. Items appearing in the statement of operations, except for amortization, are translated at average year rates. Exchange gains and losses are included in the statement of operations.

Contributed services

The Organization would not be able to carry out its activities without the services of volunteers who donate a considerable number of hours. Because of the inherent difficulty in compiling these hours and determining their fair value, contributed services are not recognized in the financial statements.

Capital assets

Capital assets are accounted for at cost. Amortization is calculated on their respective estimated useful life using the diminishing balance method at the following annual rates:

Computer equipment	33.3%
Furniture and fixtures	33.3%

Financial instruments

The Organization has elected to classify its financial assets and liabilities in the following manner:

Loans and receivables

Funding receivable and other receivables are measured at amortized cost using the effective interest method. Gains and losses related to derecognition of these financial assets are recognized in the statement of operations in the period in which they arise.

Held-for-trading financial assets and liabilities

Cash and short-term investment are measured at fair value using the market price method. Gains and losses are recognized in the statement of operations in the period in which they arise.

Other financial liabilities

Accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Gains and losses related to derecognition of these financial liabilities are recognized in the statement of operations in the period in which they arise.

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

NOTES TO FINANCIAL STATEMENTS

AS AT AUGUST 31, 2009

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital disclosures

The Organization's main objective with respect to capital management is to maintain a sufficient level of net assets, thereby ensuring the continuity of the Organization and the ongoing fulfillment of its mission.

3. NEW ACCOUNTING STANDARDS

Financial instruments

The CICA issued the following new accounting standards: Handbook Sections 3862, "Disclosures" and 3863, "Presentation". These new Handbook Sections apply to financial years beginning on or after October 1, 2008, following the Organization's decision to take advantage of the opportunity to defer their adoption. They will replace Section 3861, "Financial Instruments - Disclosure and Presentation", increasing the emphasis on disclosure about risks associated with both recognized and unrecognized financial instruments and how these risks are managed.

Financial statement presentation

The CICA has changed Section 4400 "Financial Statement Presentation by Not-for-profit Organizations" in order:

- to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so;
- to state that revenues and expenses should be recognized and presented at their gross amounts when an organization is acting as a principal in transactions.

These accounting changes apply to financial years beginning on or after January 1, 2009.

Disclosure of allocated expenses

The CICA issued Section 4470, "Disclosure of allocated expenses by not-for-profit organizations" which establishes disclosure standards for not-for-profit organizations that classify their expenses by function and allocate their expenses to a number of functions to which the expenses relate. The accounting policy disclosure should explain the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis on which such allocations have been made. In addition, the amounts allocated from fundraising and general support should be disclosed as well as the amounts and functions to which they have been allocated. This Section applies to financial years beginning on or after January 1, 2009.

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

NOTES TO FINANCIAL STATEMENTS

AS AT AUGUST 31, 2009

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4. FUNDING RECEIVABLE

	2009		2008	
Friends of Action Group on Erosion, Technology and Concentration Inc.	\$	234,073	\$	662,128
HKH Foundation		-		69,979
	\$	234,073	\$	732,107

Friends of Action Group on Erosion, Technology and Concentration Inc. is a public charity registered in the United States with 501(c)(3) status. This organization receives donations from USA supporters of ETC Group's work. Funding is provided pursuant to contracts for specified research, education, and advisory work.

5. CAPITAL ASSETS

	Cost		Accumulated amortization		2009		2008	
Computer equipment	\$	36,114	\$	17,372	\$	18,742	\$	20,459
Furniture and fixtures		30,641		25,248		5,393		2,709
	\$	66,755	\$	42,620	\$	24,135	\$	23,168

6. DEFERRED REVENUE

	2009		2008	
HKH Foundation	\$	218,000	\$	27,578
CS Fund		109,000		-
Lillian Goldman Charitable Trust		88,992		35,333
Marin Community Foundation		37,173		-
Barbara Smith Fund		879		4,844
Ford Foundation		-		80,548
Marin Community Foundation		-		70,667
Christensen Fund		-		27,578
Ben & Jerry Foundation		-		19,650
Other		-		2,953
	\$	454,044	\$	269,151

ETC GROUP: ACTION GROUP ON EROSION, TECHNOLOGY AND CONCENTRATION

NOTES TO FINANCIAL STATEMENTS

AS AT AUGUST 31, 2009

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7. CASH FLOWS

Net change in non-cash working capital items

	2009	2008
Funding receivable	\$ 498,034	\$ (226,929)
Other receivable	286	8,394
Prepaid expenses	(25,584)	(5,634)
Accounts payable and accrued liabilities	21,950	6,664
Deferred revenue	184,893	153,082
	\$ 679,579	\$ (64,423)

Cash flows from

	2009	2008
Interest received	\$ 5,666	\$ 6,055

Cash and cash equivalents

	2009	2008
Cash	\$ 640,525	\$ 91,406
Short-term investment	250,000	106,000
	\$ 890,525	\$ 197,406

8. COMMITMENTS

The commitments entered into by the Organization under leases agreements totals \$18,186. Payments for the next two years are the following:

2010	\$ 16,172
2011	\$ 2,014

9. CONTINGENCY

Other indemnification agreements

In the normal course of operations, the Organization signs agreements whereby funds are provided for the execution of projects which are subject to restrictions as to the use of the funds. The sponsors of these projects can execute an audit of the financial records of the Organization to ensure compliance with the project requirements. In the event that amounts to be reimbursed to the sponsor of a project are identified, the necessary adjustments will be recognized in the year they are identified.

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NOTES TO FINANCIAL STATEMENTS

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10. FINANCIAL INSTRUMENTS

Credit risk

In the normal course of its operations, the Organization continuously reviews the financial situation of its clients. The Organization establishes allowances for doubtful accounts while keeping in mind the specific credit risk of clients, their historic tendencies and economic situation.

Currency risk

The Organization realizes some of its transactions in US dollars. Consequently, it is exposed to fluctuations of this currency. As at August 31, 2009, assets include funding receivable of \$214,746, and a cash balance of \$216,180 in US dollars, which have been converted into Canadian dollars.

Fair value

The carrying value of cash, short-term investment, funding receivable and other receivable as well as accounts payable and accrued liabilities approximates their fair value, given their short-term maturities.

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ADDITIONAL INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2009

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	2009	2008
SCHEDULE A - REVENUE		
SwedBio	\$ 240,938	\$ 254,061
HKH Foundation		
- Core funding	-	106,000
- Matching grant	222,600	148,400
Tides Canada Foundation	112,595	-
Marin Community Foundation		
- Core funding	70,667	70,667
- Project	69,126	-
CS Fund	53,000	-
Lillian Goldman Charitable Trust	54,791	70,667
Ford Foundation	80,548	106,188
Christensen Fund	27,578	78,421
Ben & Jerry Foundation	19,650	11,302
Barbara Smith Fund	3,989	5,756
Other (including donations of \$777)	76,320	74,694
	\$ 1,031,802	\$ 926,156

SCHEDULE B - PROJECT EXPENSES

Ford Foundation	\$ 80,552	\$ 106,188
Marin Community Foundation	69,125	-
Christensen Fund	27,765	78,421
Ben & Jerry Foundation	19,657	11,302
Barbara Smith Fund	3,989	5,756
	\$ 201,088	\$ 201,667