

**THE CLEAN AIR STRATEGIC
ALLIANCE ASSOCIATION**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Members of The Clean Air Strategic Alliance Association

We have audited the accompanying financial statements of The Clean Air Strategic Alliance Association, which comprise the statement of financial position as at December 31, 2017 and the statements of operations and 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.

Auditors' 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 auditors' 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 The Clean Air Strategic Alliance Association as at December 31, 2017 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.

METRIX GROUP LLP

Metrix Group LLP
Chartered Professional Accountants

March 7, 2018
Edmonton, Alberta

**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**

The management of The Clean Air Strategic Alliance Association is responsible for the preparation of these financial statements and is responsible for their reliability, completeness and integrity. They conform, in all material respects, to Canadian accounting standards for not-for-profit organizations.

Management maintains the necessary accounting and internal control systems designed to ensure: the timely production of reliable and accurate financial information, the protection of assets (to a reasonable extent) against loss or unauthorized use, and the promotion of operational efficiency. The Board of Directors oversees management's responsibilities for the financial reporting and internal control systems.

The external auditors, appointed by the Board of Directors, conducted an audit of these financial statements in accordance with Canadian generally accepted auditing standards. The Executive Director reviewed these financial statements with the external auditors in detail before recommending their approval to the Board.

Edmonton, Alberta
March 7, 2018

Andre Asselin
Executive Director

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION
Statement of Financial Position
As At December 31, 2017

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT		
Cash and cash equivalents <i>(Note 2)</i>	\$1,064,352	\$1,165,278
Accounts receivable <i>(Note 3)</i>	10,965	11,550
Prepaid expenses	<u>3,413</u>	<u>5,789</u>
	1,078,730	1,182,617
TANGIBLE CAPITAL ASSETS <i>(Note 4)</i>	3,962	1,538
INTANGIBLE ASSETS <i>(Note 5)</i>	<u>1,462</u>	<u>4,503</u>
	<u>\$1,084,154</u>	<u>\$1,188,658</u>
 LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 59,549	\$ 36,477
Deferred contributions <i>(Note 6)</i>	<u>624,296</u>	<u>751,257</u>
	683,845	787,734
 DEFERRED CONTRIBUTIONS - TANGIBLE CAPITAL AND INTANGIBLE ASSETS <i>(Note 7)</i>	<u>5,424</u>	<u>6,039</u>
	<u>689,269</u>	<u>793,773</u>
 NET ASSETS		
Internally restricted <i>(Note 8)</i>	242,355	242,355
Unrestricted (available for operations)	<u>152,530</u>	<u>152,530</u>
	<u>394,885</u>	<u>394,885</u>
	<u>\$1,084,154</u>	<u>\$1,188,658</u>

ON BEHALF OF THE BOARD:

_____ Director

_____ Director

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION
Statement of Operations
For the Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>
REVENUE		
Grants (Note 6)	\$ 772,007	\$ 657,376
Interest	10,608	12,702
Amortization of deferred contributions (Note 7)	5,569	2,589
Other income	<u>1,888</u>	<u>-</u>
	<u>790,072</u>	<u>672,667</u>
EXPENSES (Schedule 1)		
General and administrative	493,721	264,340
Projects	160,835	224,714
Board support	71,518	95,202
Communications	43,338	67,840
External projects	16,957	12,227
Other	<u>3,703</u>	<u>8,344</u>
	<u>790,072</u>	<u>672,667</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ -</u>	<u>\$ -</u>

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION
Statement of Change in Net Assets
For the Year Ended December 31, 2017

	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>2017</u>	<u>2016</u>
BALANCE, BEGINNING OF YEAR	\$ 242,355	\$ 152,530	\$ 394,885	\$ 394,885
Excess of Revenue Over Expenses	-	-	-	-
BALANCE, END OF YEAR	<u>\$ 242,355</u>	<u>\$ 152,530</u>	<u>\$ 394,885</u>	<u>\$ 394,885</u>

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION
Statement of Cash Flows
For the Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ -	\$ -
Items not affecting cash:		
Amortization of tangible capital assets	2,528	659
Amortization of intangible assets	3,041	1,930
Amortization of deferred contributions <i>(Note 7)</i>	<u>(5,569)</u>	<u>(2,589)</u>
	-	-
Change in non-cash working capital:		
Decrease (increase) in accounts receivable	585	(6,684)
Decrease (increase) in prepaid expenses	2,376	(1,365)
Increase in accounts payable and accrued liabilities	23,074	8,265
Increase (decrease) in deferred contributions	<u>(126,961)</u>	<u>217,624</u>
	<u>(100,926)</u>	<u>217,840</u>
FINANCING ACTIVITIES		
Deferred contributions received - tangible capital assets and intangible assets	<u>4,954</u>	<u>-</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets and intangible assets	<u>(4,954)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH FLOWS	(100,926)	217,840
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,165,278</u>	<u>947,438</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>1,064,352</u>	\$ <u>1,165,278</u>

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION
Notes to Financial Statements
For the Year Ended December 31, 2017

PURPOSE OF THE ORGANIZATION

The Clean Air Strategic Alliance Association (the "Association") is a non-profit organization incorporated March 14, 1994 under the *Societies Act* of Alberta and is not taxable under the Canadian *Income Tax Act*. The Association is comprised of members from three distinct stakeholder categories: industry, government and non-government organizations. The Association has been given shared responsibility by its members for strategic air quality planning, organizing and coordination of resources, and evaluation of results in Alberta. In support of these objectives, the Association receives cash funding from the Province of Alberta as well as cash and in-kind support from other members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash and investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments have a maturity of one year or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

(c) Tangible Capital Assets

Tangible capital assets are recorded at cost less less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution. When a tangible capital asset no longer contributes to the Association's ability to provide services or the value of future economic benefits associated with the tangible capital asset is less than its net book value, the carrying value of the tangible capital asset is reduced to reflect the decline in the asset's value.

Tangible capital assets are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	3 years	straight-line
Furniture and equipment	5 years	straight-line

The Association regularly reviews its tangible capital assets to eliminate obsolete items.

(d) Intangible Assets

Intangible assets consist of website of the Association and are recorded at cost. The website is measured at cost less accumulated amortization. Amortization of the website is using the straight-line method over 5 years.

(e) Contributed services

Association members contribute non-monetary support including staff resources, meeting space and publication support. Due to the difficulty in determining their fair value, contributed services are not reflected in these financial statements.

(CONT'D)

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION
Notes to Financial Statements
For the Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Revenue Recognition

The Association follows the deferral method of accounting for contributions, which include government grants. Restricted contributions are recognized as revenue during 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.

Restricted contributions for the purchase of tangible capital assets and intangible assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related tangible capital assets and intangible assets.

Registration fees are recognized as revenue in the year in which the related event has been provided.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred.

(g) Financial Instruments

Measurement of Financial Instruments

The Association initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instruments.

The Association subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Association has no financial instruments measured at fair value.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

(h) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant areas requiring the use of management's estimates include the useful lives of tangible capital assets and the corresponding rates of amortization and the amount of accrued liabilities. All estimates are reviewed periodically and adjustments are made to the statements of operations as appropriate in the year they become known.

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION
Notes to Financial Statements
For the Year Ended December 31, 2017

2. CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
Guaranteed Investment Certificates	\$ 606,493	\$ 1,120,907
Savings accounts	454,739	36
Operating accounts	<u>3,120</u>	<u>44,335</u>
	<u>\$ 1,064,352</u>	<u>\$ 1,165,278</u>

Guaranteed Investment Certificates bear interest at rates ranging from 0.55% - 1.50% (2016 - 1.20% - 1.55%) and maturing between February 13, 2018 and November 27, 2018.

3. RECEIVABLES

	<u>2017</u>	<u>2016</u>
Goods and Services Tax	\$ 6,885	\$ 2,722
Accrued interest	3,461	8,828
Trade	<u>619</u>	<u>-</u>
	<u>\$ 10,965</u>	<u>\$ 11,550</u>

4. TANGIBLE CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 13,773	\$ 9,811	\$ 3,962	\$ 678
Computer equipment	<u>33,290</u>	<u>33,290</u>	<u>-</u>	<u>860</u>
	<u>\$ 47,063</u>	<u>\$ 43,101</u>	<u>\$ 3,962</u>	<u>\$ 1,538</u>

5. INTANGIBLE ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2017</u>	<u>2016</u>
Website	<u>\$ 21,892</u>	<u>\$ 20,430</u>	<u>\$ 1,462</u>	<u>\$ 4,503</u>

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION
Notes to Financial Statements
For the Year Ended December 31, 2017

6. DEFERRED CONTRIBUTIONS

(a) Core Operations

During the year, the Association received grants totaling \$650,000 (2016 - \$850,000) from the Province of Alberta to cover the 2017 calendar year. The purpose of the grants is to provide core funding in support of the Association's objectives as detailed in Note 1. The Regulations to the *Department of the Environment Act*, the *Department of Energy Act*, the *Department of Health Act*, and the *Department of Agriculture and Food Act* under which the grants have been provided, specify that grants must either be used for the purposes specified in the grant, be used for different purposes if such different purposes are agreed to by the applicant and the respective Minister, or be returned to the Province of Alberta. Accordingly, in the event the Association does not utilize the funds in pursuit of its objectives, any unexpended grant monies remaining may have to be repaid to the Province of Alberta.

	<u>2017</u>	<u>2016</u>
Balance, Beginning of Year	\$ 482,249	\$ 277,521
Grants received and receivable during the year	650,000	850,000
Transfer to deferred contributions - tangible capital assets and intangible assets	(4,954)	-
Revenue recognized to cover expenses during the year	<u>(758,035)</u>	<u>(645,272)</u>
Balance, End of Year	\$ <u>369,260</u>	\$ <u>482,249</u>

(b) External Projects

Deferred external project contributions are comprised of monies received for specific external projects, which have not been expended for the purposes specified in the mandates of the projects.

	<u>2017</u>	<u>2016</u>
Balance, Beginning of Year	\$ 269,008	\$ 256,112
Grants received and receivable during the year	-	25,000
Revenue recognized to cover expenses during the year	<u>(13,972)</u>	<u>(12,104)</u>
Balance, End of Year	\$ <u>255,036</u>	\$ <u>269,008</u>
Total Deferred Revenue	\$ <u><u>624,296</u></u>	\$ <u><u>751,257</u></u>

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION
Notes to Financial Statements
For the Year Ended December 31, 2017

7. DEFERRED CONTRIBUTIONS - TANGIBLE CAPITAL ASSETS AND INTANGIBLE ASSETS

Deferred contributions - tangible capital assets and intangible assets represent restricted contributions with which some of the Association's tangible capital assets and intangible assets was purchased. The changes in these contributions are as follows:

	<u>2017</u>	<u>2016</u>
Balance, Beginning of Year	\$ 6,039	\$ 8,628
Transfer from internal deferred contributions (Note 6)	4,954	-
Revenue recognized to cover amortization during the year	<u>(5,569)</u>	<u>(2,589)</u>
Balance, End of Year	<u>\$ 5,424</u>	<u>\$ 6,039</u>

8. INTERNALLY RESTRICTED

The balance of \$228,835 (2016 - \$228,835) has been internally restricted by the Board in the event of a wind down.

As a result of excess grant funding contributed to the Association's 20th Anniversary program the External Projects fund balance contains registration fees sold for this event. The balance of \$13,523 (2016 - \$13,523) has been internally restricted to assist with future expenses.

9. ECONOMIC DEPENDENCE

The Association's primary source of revenue is grants from the Province of Alberta. The Association's ability to continue viable operations is dependent on this funding.

10. FINANCIAL INSTRUMENTS

It is management's opinion that the Association is not exposed to significant interest, credit, market, currency, or other price risk through its financial instruments. The following analysis provides information about the Association's risk exposure and concentration as of December 31, 2017.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect to its receipt of funds from the Government of Alberta and other related sources.

The Association mitigates this risk by monitoring cash activities and expected outflows through budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise.

11. TRANSACTIONS WITH THE GOVERNMENT OF ALBERTA

The Government of Alberta provides office space to the Association at no charge.

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION
Schedule of Expenses By Object
For the Year Ended December 31, 2017

Schedule 1

	<u>2017</u> (Budget)	<u>2017</u> (Actual)	<u>2016</u> (Actual)
Supplies and Services			
Computer equipment	\$ 29,622	\$ 51,781	\$ 27,096
Stakeholder honoraria	66,578	36,118	46,615
Travel	57,287	36,049	23,340
Office supplies	21,365	14,356	2,714
Meetings	13,180	13,766	9,564
Telecommunications	6,415	5,569	6,050
Insurance	4,800	3,652	3,806
Amortization of intangible assets	-	3,041	1,930
Amortization of tangible capital assets	-	2,528	659
Printing	7,822	1,911	2,201
Records storage	1,689	1,503	1,405
Bank charges	1,498	1,215	1,346
Subscriptions	3,600	832	3,159
Courier	400	63	-
Advertising	5,000	-	97
	<u>219,256</u>	<u>172,384</u>	<u>129,982</u>
Professional Fees			
Consulting	55,500	104,959	77,825
Audit and legal	12,200	33,691	9,200
	<u>67,700</u>	<u>138,650</u>	<u>87,025</u>
Human Resources			
Salaries and wages	451,682	396,136	373,454
Benefits	99,166	76,271	77,355
Staff development	5,000	5,238	1,801
Contracted services	5,000	1,028	-
Employee recognition	1,200	365	1,307
Recruiting	1,000	-	1,693
Memberships	475	-	50
	<u>563,523</u>	<u>479,038</u>	<u>455,660</u>
Total Expenses	<u>\$ 850,479</u>	<u>\$ 790,072</u>	<u>\$ 672,667</u>