

**THE CLEAN AIR STRATEGIC
ALLIANCE ASSOCIATION**

Financial Statements

For the Year Ended December 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Members of The Clean Air Strategic Alliance Association

Opinion

We have audited the accompanying financial statements of The Clean Air Strategic Alliance Association (the Association), which comprise the statement of financial position as at December 31, 2018 and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, 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 Opinion

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 Association 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.



Independent Auditors' Report to Members of The Clean Air Strategic Alliance Association (*continued*)

Those charged with governance are responsible for overseeing the Association'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. 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 Association'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 Association'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 Association 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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
March 28, 2019

**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.

Andre Asselin
Executive Director

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION
Statement of Financial Position
As At December 31, 2018

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT		
Cash and cash equivalents <i>(Note 2)</i>	\$ 435,693	\$1,064,352
Accounts receivable <i>(Note 3)</i>	242,427	10,965
Prepaid expenses	<u>3,529</u>	<u>3,413</u>
	681,649	1,078,730
TANGIBLE CAPITAL ASSETS <i>(Note 4)</i>	2,971	3,962
INTANGIBLE ASSETS <i>(Note 5)</i>	<u>-</u>	<u>1,462</u>
	\$ <u>684,620</u>	\$ <u>1,084,154</u>
 LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 16,595	\$ 59,549
Deferred contributions <i>(Note 6)</i>	<u>270,169</u>	<u>624,296</u>
	286,764	683,845
DEFERRED CONTRIBUTIONS - TANGIBLE CAPITAL AND INTANGIBLE ASSETS <i>(Note 7)</i>	<u>2,971</u>	<u>5,424</u>
	<u>289,735</u>	<u>689,269</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>684,620</u>	\$ <u>1,084,154</u>

ON BEHALF OF THE BOARD:

_____ Director

_____ Director

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION
Statement of Operations
For the Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u>
REVENUE		
Grants <i>(Note 6)</i>	\$ 592,720	\$ 772,007
Interest	9,325	10,608
Amortization of deferred contributions <i>(Note 7)</i>	2,453	5,569
Other income	<u>522</u>	<u>1,888</u>
	<u>605,020</u>	<u>790,072</u>
EXPENSES <i>(Schedule 1)</i>		
General and administrative	487,592	493,721
Projects	64,161	160,835
Board support	27,784	71,518
External projects	18,163	16,957
Communications	7,320	43,338
Other	<u>-</u>	<u>3,703</u>
	<u>605,020</u>	<u>790,072</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, 2018

	<u>Interally Restricted</u>	<u>Unrestricted</u>	<u>2018</u>	<u>2017</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 accompanying notes are an integral part of these financial statements.

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION
Statement of Cash Flows
For the Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ -	\$ -
Items not affecting cash:		
Amortization of tangible capital assets	991	2,528
Amortization of intangible assets	1,462	3,041
Amortization of deferred contributions (Note 7)	<u>(2,453)</u>	<u>(5,569)</u>
	-	-
Change in non-cash working capital:		
Decrease (increase) in accounts receivable	(231,462)	585
Decrease (increase) in prepaid expenses	(116)	2,376
Increase in accounts payable and accrued liabilities	(42,954)	23,074
Increase (decrease) in deferred contributions	<u>(354,127)</u>	<u>(126,961)</u>
	<u>(628,659)</u>	<u>(100,926)</u>
FINANCING ACTIVITIES		
Deferred contributions received - tangible capital assets and intangible assets	<u>-</u>	<u>4,954</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets and intangible assets	<u>-</u>	<u>(4,954)</u>
INCREASE (DECREASE) IN CASH FLOWS	(628,659)	(100,926)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,064,352</u>	<u>1,165,278</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 435,693</u>	<u>\$ 1,064,352</u>

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

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION
Notes to Financial Statements
For the Year Ended December 31, 2018

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 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, 2018

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, 2018

2. CASH AND CASH EQUIVALENTS

	<u>2018</u>	<u>2017</u>
Guaranteed Investment Certificates	\$ 428,835	\$ 606,493
Operating accounts	4,221	3,120
Savings accounts	<u>2,637</u>	<u>454,739</u>
	<u>\$ 435,693</u>	<u>\$ 1,064,352</u>

Guaranteed Investment Certificates bear interest at rates ranging from 1.55% - 2.25% (2017 - 0.55% - 1.50%) and maturing August 17, 2019 and November 19, 2019.

3. RECEIVABLES

	<u>2018</u>	<u>2017</u>
Grants	\$ 223,593	\$ -
Goods and Services Tax	9,412	6,885
Alberta Water Council Association	6,814	-
Accrued interest	2,107	3,461
Trade	<u>501</u>	<u>619</u>
	<u>\$ 242,427</u>	<u>\$ 10,965</u>

4. TANGIBLE CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 13,773	\$ 10,802	\$ 2,971	\$ 3,962
Computer equipment	<u>33,290</u>	<u>33,290</u>	<u>-</u>	<u>-</u>
	<u>\$ 47,063</u>	<u>\$ 44,092</u>	<u>\$ 2,971</u>	<u>\$ 3,962</u>

5. INTANGIBLE ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2018</u>	<u>2017</u>
Website	\$ 21,892	\$ 21,892	\$ -	\$ 1,462

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION
Notes to Financial Statements
For the Year Ended December 31, 2018

6. DEFERRED CONTRIBUTIONS

(a) Core Operations

Deferred core operations contributions are comprised of unexpended monies received for core operations. 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>2018</u>	<u>2017</u>
Balance, Beginning of Year	\$ 369,260	\$ 482,249
Grants received and receivable during the year	223,593	650,000
Transfer to deferred contributions - tangible capital assets and intangible assets	-	(4,954)
Revenue recognized to fund expenses during the year	<u>(592,853)</u>	<u>(758,035)</u>
Balance, End of Year	\$ <u> -</u>	\$ <u>369,260</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>2018</u>	<u>2017</u>
Balance, Beginning of Year	\$ 255,036	\$ 269,008
Grants received and receivable during the year	15,000	-
Revenue recognized to fund expenses during the year	<u>133</u>	<u>(13,972)</u>
Balance, End of Year	\$ <u>270,169</u>	\$ <u>255,036</u>
Total Deferred Revenue	\$ <u><u>270,169</u></u>	\$ <u><u>624,296</u></u>

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION
Notes to Financial Statements
For the Year Ended December 31, 2018

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>2018</u>	<u>2017</u>
Balance, Beginning of Year	\$ 5,424	\$ 6,039
Transfer from internal deferred contributions (Note 6)	-	4,954
Revenue recognized to cover amortization during the year	<u>(2,453)</u>	<u>(5,569)</u>
Balance, End of Year	<u>\$ 2,971</u>	<u>\$ 5,424</u>

8. INTERNALLY RESTRICTED

The balance of \$228,835 (2017 - \$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 \$13,520 (2017 - \$13,520) 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, 2018.

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.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

THE CLEAN AIR STRATEGIC ALLIANCE ASSOCIATION
Schedule of Expenses By Object
For the Year Ended December 31, 2018

Schedule 1

	<u>2018</u> (Budget)	<u>2018</u> (Actual)	<u>2017</u> (Actual)
Supplies and Services			
Stakeholder honoraria	\$ 56,000	\$ 26,460	\$ 36,118
Computer equipment	17,000	19,037	51,781
Indigenous relations	60,000	17,743	-
Travel	44,000	17,689	36,049
Meetings	25,500	13,360	13,766
Printing	5,000	10,846	1,911
Parking, rent and utilities	-	6,946	1,120
Telecommunications	-	4,018	5,569
Insurance	4,000	3,413	3,652
Records storage	-	2,016	1,503
Office supplies	25,000	4,646	13,236
Amortization of intangible assets	-	1,462	3,041
Amortization of tangible capital assets	-	991	2,528
Subscriptions	-	351	832
Courier	-	127	63
Bank charges	1,000	107	1,215
	<u>237,500</u>	<u>129,212</u>	<u>172,384</u>
Professional Fees			
Consulting	88,500	144,671	125,502
Audit and legal	10,200	14,777	13,148
	<u>98,700</u>	<u>159,448</u>	<u>138,650</u>
Human Resources			
Salaries and wages	340,000	268,575	396,136
Benefits	66,000	45,791	76,271
Staff development	8,000	1,416	5,238
Employee recognition	-	355	365
Recruiting	-	223	-
Contracted services	-	-	1,028
	<u>414,000</u>	<u>316,360</u>	<u>479,038</u>
Total Expenses	<u>\$ 750,200</u>	<u>\$ 605,020</u>	<u>\$ 790,072</u>

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