

PEACE RIVER AREA MONITORING PROGRAM COMMITTEE

Financial Statements

Year Ended March 31, 2019

Draft for discussion purposes only

PEACE RIVER AREA MONITORING PROGRAM COMMITTEE

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Year Ended March 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of Peace River Area Monitoring Program Committee

Opinion

We have audited the financial statements of Peace River Area Monitoring Program Committee (the Society), which comprise the statement of financial position as at March 31, 2019, and the statements of revenues and expenditures, 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 Society as at March 31, 2019, 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 Society 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.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 3 in the financial statements, which indicates that the Society has no contract for services for a significant portion of the March 31, 2020 year end. As stated in Note 3, this condition indicates that a material uncertainty exists that may cast significant doubt on the Society's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

(continues)

Independent Auditor's Report to the Members of Peace River Area Monitoring Program Committee *(continued)*

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 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 Society'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 Society's ability 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 Society 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.

Edmonton, Alberta
September 9, 2019

RADKE PROFESSIONAL CORPORATION
CHARTERED ACCOUNTANTS

PEACE RIVER AREA MONITORING PROGRAM COMMITTEE

Statement of Revenues and Expenditures

Year Ended March 31, 2019

	2019	2018
REVENUES		
Service revenue	\$ 982,885	\$ 776,373
Grant revenues	2,750	44,000
	<u>985,635</u>	<u>820,373</u>
EXPENSES		
Monitoring Network		
Station management	316,380	315,180
Program management	171,600	166,600
Report production fees	62,149	52,320
Amortization	32,081	12,118
Travel expenses	30,986	-
Sampling fees	15,300	7,200
Technical advancement	10,355	-
Electricity	5,389	3,255
Supplies	2,034	-
Licensing and fees	1,720	-
Insurance	1,667	-
Stakeholder Relations and Communications		
Advertising	6,802	-
Outreach materials	2,000	-
Website	1,820	-
Promotion and other	750	-
Administration		
Administration	30,000	30,000
Professional fees	14,060	3,000
Meetings	5,249	16,626
Office	2,446	706
Board development	2,122	7,866
Memberships	1,500	4,462
Telephone	700	835
Interest and bank charges	496	8
Insurance	415	506
	<u>718,021</u>	<u>620,682</u>
Grant Expenses (Schedule 1)	<u>2,751</u>	<u>44,456</u>
Other income (expenses)		
Interest income	17	35
Goods and Service Tax	(4,761)	(4,295)
	<u>(4,744)</u>	<u>(4,260)</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 260,119</u>	<u>\$ 150,975</u>

PEACE RIVER AREA MONITORING PROGRAM COMMITTEE

Statement of Changes in Net Assets

Year Ended March 31, 2019

	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 239,438	\$ 88,463
Excess of revenues over expenses	<u>260,119</u>	<u>150,975</u>
NET ASSETS - END OF YEAR	<u>\$ 499,557</u>	<u>\$ 239,438</u>

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PEACE RIVER AREA MONITORING PROGRAM COMMITTEE

Statement of Financial Position

March 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 25,847	\$ 7,931
Accounts receivable	347,488	253,730
Goods and services tax recoverable	81,499	38,653
Deposits	-	38,356
	<u>454,834</u>	338,670
EQUIPMENT <i>(Note 5)</i>	<u>356,664</u>	81,629
	<u>\$ 811,498</u>	\$ 420,299
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 265,691	\$ 180,861
Deferred grant contribution	46,250	-
	<u>311,941</u>	180,861
NET ASSETS		
General fund	<u>499,557</u>	239,438
	<u>\$ 811,498</u>	\$ 420,299

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ON BEHALF OF THE BOARD

_____ Director

_____ Director

PEACE RIVER AREA MONITORING PROGRAM COMMITTEE

Statement of Cash Flows
Year Ended March 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Cash receipts from grantors and other	\$ 938,127	\$ 706,488
Cash paid to suppliers	(565,506)	(602,166)
Interest received	17	35
Goods and services tax	(47,607)	(28,197)
Cash flow from operating activities	<u>325,031</u>	<u>76,160</u>
INVESTING ACTIVITY		
Purchase of equipment	<u>(307,115)</u>	<u>(93,747)</u>
INCREASE (DECREASE) IN CASH FLOW	17,916	(17,587)
Cash - beginning of year	<u>7,931</u>	<u>25,518</u>
CASH - END OF YEAR	\$ 25,847	\$ 7,931

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PEACE RIVER AREA MONITORING PROGRAM COMMITTEE

Notes to Financial Statements

Year Ended March 31, 2019

1. NATURE OF OPERATIONS

The Peace River Area Monitoring Program Committee is a not-for-profit, multi-stakeholder organization that monitors and provides public information on air quality, as well as develops recommendations regarding air quality management and monitoring. In addition, the Society facilitates dialogue among the community, industry and government for managing air quality within the Peace River area of Alberta.

Provided substantially all of the revenues of the Society are used for the operation of the Society, the Society will be considered a non-profit organization and exempt from tax under the Income Tax Act of Canada. Accordingly, no provision for income taxes has been made in these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Revenue recognition

Peace River Area Monitoring Program Committee 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. Endowment contributions are recognized as direct increases in net assets.

Revenue pertaining to performance for transactions involving supply of service are recorded at the time service is provided.

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

Government grants are recorded when there is a reasonable assurance that the Society had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

Contributed services

Volunteers contribute a significant amount of their time each year. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Equipment

Equipment is stated at cost less accumulated amortization. Equipment is amortized over their estimated useful lives at the following rates and methods:

Equipment	20%	declining balance method
Computer equipment	55%	declining balance method
Computer software	100%	declining balance method

The Society regularly reviews its equipment to eliminate obsolete items. Government grants are treated as a reduction of equipment cost.

Equipment acquired during the year but not placed into use are not amortized until they are placed into use.

(continues)

PEACE RIVER AREA MONITORING PROGRAM COMMITTEE

Notes to Financial Statements

Year Ended March 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Environmental expenditures and liabilities

Environmental expenditures are those expenditures specifically incurred to maintain or enhance the quality of the natural and social environment, or to minimize an adverse impact thereon. Environmental expenditures are expensed as part of operating activities, unless they constitute an asset improvement or act to mitigate or prevent possible future contamination, in which case the expenditures are capitalized and amortized to income. Environmental liabilities are accrued where the occurrence of environmental expenditures related to present or past activities of the Society is considered probable and the costs can be reasonably estimated.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost.

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability.

The Society assess impairment of all of its financial assets measured at cost or amortized cost when there is an indication of impairment. Any impairment which is not considered temporary is included in current year net earnings..

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. GOING CONCERN

The accompanying financial statements have been prepared on the going concern assumption that the Society will be able to realize its assets and discharge its liabilities in the normal course of business. Subsequent to year end, the Society has not completed a contract for services for the final three quarters of the 2020 fiscal year end. As a result the Society is undergoing cash flow strain and without a contract, the Society's may be required to liquidate assets and cease operations.

4. ECONOMIC DEPENDENCE

The Society receives its revenues from a contract with the Province of Alberta. Should the contract be terminated, management is of the opinion that significant changes to operations would be required.

PEACE RIVER AREA MONITORING PROGRAM COMMITTEE

Notes to Financial Statements

Year Ended March 31, 2019

5. EQUIPMENT

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Equipment	\$ 250,426	\$ 27,747	\$ 222,679	\$ 76,871
Motor vehicles	123,705	8,693	115,012	-
Computer software	17,115	5,709	11,406	2,854
Asphalt and parking areas	6,990	280	6,710	-
Computer equipment	2,626	1,769	857	1,904
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	\$ 400,862	\$ 44,198	\$ 356,664	\$ 81,629

6. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The Society's financial instruments consist of cash, accounts receivables and accounts payable. The following analysis provides information about the Society's risk exposure and concentration as of March 31, 2019.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society is exposed to credit risk from service revenues. As a significant amount of service revenues is received from the Provincial government, the Society is of the opinion that there is no significant credit risk.

7. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

PEACE RIVER AREA MONITORING PROGRAM COMMITTEE

Grant Expenses

(Schedule 1)

Year Ended March 31, 2019

	2019	2018
Promotion	\$ 2,000	\$ 5,341
Supplies	751	-
Outreach materials	-	10,495
Communications planning	-	8,715
Travel	-	5,790
Management fees	-	5,000
Printing	-	2,718
Meetings	-	2,372
Advertising	-	2,350
Website	-	1,675
	\$ 2,751	\$ 44,456

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