



Financial Statements

The Pollution Probe Foundation

March 31, 2018

Contents

	Page
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 13

Independent Auditor's Report

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To the Members of
The Pollution Probe Foundation

We have audited the accompanying financial statements of The Pollution Probe Foundation (the "Foundation") which comprise the statement of financial position as at March 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.

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.

Auditor's 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 auditor's 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 controls 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Independent Auditor's Report (continued)

Basis for qualified opinion

We were not able to complete audit procedures to satisfy ourselves concerning the completeness of donation revenue for the year ended March 31, 2017. Verification of this revenue was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to revenue or excess of revenue over expenses for the year ended March 31, 2017, current assets at March 31, 2017 and net assets as March 31, 2017. Our audit opinion on the financial statements for the year ended March 31, 2017 was modified accordingly. Our audit opinion on the current year's financial statements is also modified because of the possible effects of this matter on the comparability of the current period's figures and the comparative information.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2018 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Canada
September 13, 2018

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants
Licensed Public Accountants

The Pollution Probe Foundation

Statement of Financial Position

March 31 2018 2017

Assets

Current

Cash and cash equivalents (Note 3)	\$	629,131	\$	96,629
Restricted cash (Note 3)		-		263,357
Accounts receivable		359,503		587,390
Prepaid expenses and deposits		<u>11,728</u>		<u>29,253</u>

		<u>1,000,362</u>		<u>976,629</u>
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Intangible assets (Note 4)

		4,453		5,725
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Capital assets (Note 5)

		<u>16,515</u>		<u>22,810</u>
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		<u>20,968</u>		<u>28,535</u>
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	\$	<u>1,021,330</u>	\$	<u>1,005,164</u>
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Liabilities

Current

Accounts payable and accrued liabilities	\$	248,147	\$	219,358
Deferred contributions (Note 7)		<u>603,650</u>		<u>637,807</u>

		<u>851,797</u>		<u>857,165</u>
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Net assets

Invested in capital and intangible assets

		20,968		28,535
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Unrestricted

		68,215		39,114
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Internally restricted reserve fund

		<u>80,350</u>		<u>80,350</u>
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		<u>169,533</u>		<u>147,999</u>
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	\$	<u>1,021,330</u>	\$	<u>1,005,164</u>
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Commitments (Note 8)

On behalf of the Board of Directors


 _____ Director


 _____ Director

The Pollution Probe Foundation

Statement of Operations

Year ended March 31	2018	2017
Revenue		
Program contributions		
Energy Exchange	\$ 542,324	\$ 754,928
Transportation	744,408	281,644
Human Health	234,488	255,509
Energy and climate change	<u>224,578</u>	<u>100,000</u>
	1,745,798	1,392,081
Fundraising		
Gala	258,040	309,282
Donations	149,116	146,796
Other income	<u>32,772</u>	<u>21,994</u>
	439,928	478,072
	2,185,726	1,870,153
Expenses		
Salaries and benefits	1,064,761	1,088,890
Consulting (Note 9)	745,879	356,925
Occupancy costs	142,962	132,465
Promotions and displays	74,462	86,577
Travel	33,857	54,302
Office and general	40,602	44,097
Professional fees (Note 9)	21,385	33,289
Printing and publishing	12,999	20,356
Bank charges and interest	9,214	10,088
Amortization	7,567	9,122
Telephone and utilities	6,176	6,677
Donor based development	<u>4,328</u>	<u>4,045</u>
	2,164,192	1,846,833
Excess of revenue over expenses	\$ 21,534	\$ 23,320

The Pollution Probe Foundation Statement of Changes in Net Assets

Year ended March 31

	Invested in capital and intangible assets	Unrestricted	Internally restricted reserve fund	Total 2018	Total 2017
Net assets, beginning of year \$	28,535 \$	39,114 \$	80,350 \$	147,999 \$	124,679
Excess (deficiency) of revenue over expenses	(7,567)	29,101	-	21,534	23,320
Net assets, end of year	\$ 20,968	\$ 68,215	\$ 80,350	\$ 169,533	\$ 147,999

The Pollution Probe Foundation

Statement of Cash Flows

Year ended March 31	2018	2017
Increase (decrease) in cash and cash equivalents and restricted cash		
Operating		
Excess of revenue over expenses	\$ 21,534	\$ 23,320
Items not affecting cash		
Amortization	7,567	9,122
Deferred contributions recognized (Note 7)	<u>(2,003,838)</u>	<u>(1,701,463)</u>
	(1,974,737)	(1,669,021)
Change in non-cash working capital items		
Accounts receivable	227,887	(438,980)
Prepaid expenses and deposits	17,525	(18,097)
Accounts payable and accrued liabilities	28,789	53,893
Deferred contributions	<u>1,969,681</u>	<u>1,844,182</u>
	269,145	(228,023)
Investing		
Purchase of intangible asset	<u>-</u>	<u>(6,361)</u>
Increase (decrease) in cash and cash equivalents and restricted cash	269,145	(234,384)
Cash and cash equivalents and restricted cash		
Beginning of year	<u>359,986</u>	<u>594,370</u>
End of year	<u>\$ 629,131</u>	<u>\$ 359,986</u>

The Pollution Probe Foundation

Notes to the Financial Statements

March 31, 2018

1. Incorporation and nature of the organization

The Pollution Probe Foundation (the "Foundation") is a non-profit organization which was incorporated under the laws of Ontario without share capital and is registered with the Canada Revenue Agency as a registered charity within the meaning of the Income Tax Act. The Foundation is dedicated to achieving positive and tangible environmental change by engaging government, private business and other non-profit organizations on issues related to improving the health and well-being of Canadians, such as clean air, clean water, climate change, and human health.

2. Significant accounting policies

Basis of presentation

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). ASNPO is part of Canadian generally accepted accounting principles. ASNPO requires entities to select policies appropriate for their circumstances from policies in these standards. The following are the policies selected by the Foundation and applied in these financial statements.

Revenue recognition

The Foundation follows the deferral method of accounting for externally restricted contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred, with some projects recognized on a percentage of completion basis. Recognition on a percentage of completion basis gives rise to either deferred contributions, where billings to date are in excess of revenue earned, or accrued receivable where revenue earned is in excess of billings to date.

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.

Investment income is recognized as revenue when earned.

Internally restricted reserve fund

The internally restricted reserve fund was created by the Board of Directors in fiscal 2015. The purpose of the internally restricted reserve fund is to sustain the Foundation's long-term financial health through periods of fluctuating revenue streams and to seize opportunities for growth and expansion. This will help ensure liquidity and maintain the Foundation's capacity should it experience temporary cash flow interruptions in the future, whether due to a decrease in funding or unforeseen events. The Foundation's aim is to build toward and then maintain the operating reserve at a level equivalent of three months of operating expenses.

The Pollution Probe Foundation

Notes to the Financial Statements

March 31, 2018

2. Significant accounting policies (continued)

Use of estimates

Management reviews the carrying amounts of items in the financial statements annually to assess the need for revision or the recognition of any possibility of impairment.

Certain items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically and adjustments are made to the excess of revenue over expenses in the year they become known.

Estimates consist of the following:

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Capital assets are reviewed for impairment and written down where considered necessary. Amortization of capital assets is based on the estimated useful lives of capital assets. Useful lives are reviewed regularly to ensure the amortization period is appropriate.

Revenue from certain long-term projects is recognized on a percentage of completion basis. The percentage of completion of the project is based on management's estimates of the progress of the project. Percentage of completion is reviewed regularly to ensure revenue recognition is appropriate.

Intangible assets

The intangible assets relates to implementation costs of cloud-based server access. Amortization is provided using the straight-line method over its estimated useful life of 5 years.

Capital assets

Purchased capital assets are recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

Furniture and fixtures	10 years
Leasehold improvements	10 years
Computer equipment	5 years
Computer software	2 years

The Pollution Probe Foundation

Notes to the Financial Statements

March 31, 2018

2. Significant accounting policies (continued)

Financial instruments

The Foundation considers any contract creating a financial asset or liability as a financial instrument. The Foundation's financial instruments comprise cash and cash equivalents, restricted cash, accounts receivable and accounts payable.

Financial assets and liabilities obtained in arm's length transactions are initially recorded at their fair value and financial assets and liabilities obtained in related party transactions are initially measured at their exchange amount. The Foundation subsequently measures all of its financial assets and liabilities at amortized cost, except for cash and cash equivalents and restricted cash, which are measured at fair value.

Cash and cash equivalents and restricted cash

Cash and cash equivalents include balances with banks and guaranteed investment certificates (GICs) with maturities of up to one year or are cashable at any time. Cash that is subject to restrictions that prevent their use for current purposes are included as restricted cash.

Contributed services

The Foundation benefits from voluntary services. Since these services are not normally purchased by the Foundation and because of the difficulty of determining their fair value, donated services are not recognized in these financial statements.

3. Cash and cash equivalents and restricted cash

	<u>2018</u>	<u>2017</u>
Cash	\$ 248,264	\$ 36,279
GICs	380,867	60,350
Restricted cash	-	263,357
	<u>\$ 629,131</u>	<u>\$ 359,986</u>

One year GICs mature from April 2018 to February 2019 (2017 - April 2017 to January 2018) and bear interest from 0.9% to 1.6% (2017 - 0.5% to 1%) per annum.

The Pollution Probe Foundation Notes to the Financial Statements

March 31, 2018

4. Intangible assets

			<u>2018</u>	<u>2017</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Implementation costs of cloud-based server access	\$ 6,361	\$ 1,908	\$ 4,453	\$ 5,725

5. Capital assets

			<u>2018</u>	<u>2017</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and fixtures	\$ 24,897	\$ 17,183	\$ 7,714	\$ 10,203
Leasehold improvements	24,710	16,885	7,825	10,296
Computer equipment	41,824	40,885	939	2,164
Computer software	18,989	18,952	37	147
	<u>\$ 110,420</u>	<u>\$ 93,905</u>	<u>\$ 16,515</u>	<u>\$ 22,810</u>

6. Line of credit

The Foundation has available a credit facility with a financial institution of up to \$200,000. The facility bears interest at the financial institution's prime lending rate plus 1.7% per annum and is secured by a general security agreement over the assets of the Foundation. The amount drawn upon at March 31, 2018 is \$Nil (2017 - \$Nil).

The Pollution Probe Foundation

Notes to the Financial Statements

March 31, 2018

7. Deferred contributions

Changes in the deferred contributions balance are as follows:

	Balance, March 31, 2017	Amounts received	Contributions receivable	Revenue recognized	Balance, March 31, 2018
Energy Exchange	\$ 472,807	\$ 358,517	\$ 122,850	\$ (542,324)	\$ 411,850
Energy and climate change QUEST	-	200,000	24,578	(224,578)	-
Transportation					
Electric/Hydrogen Vehicle Partnership	-	505,718	36,000	(538,218)	3,500
Toyota Policy Paper	25,000	-	-	(16,000)	9,000
Bruce Power EV Deployment Policy	-	50,000	-	-	50,000
Imperial Oil Pathways	90,000	100,000	-	(80,700)	109,300
NR Canada Workshop Series	20,000	5,000	84,490	(109,490)	-
Pathways Initiative	20,000	-	-	-	20,000
	<u>155,000</u>	<u>660,718</u>	<u>120,490</u>	<u>(744,408)</u>	<u>191,800</u>
Human Health					
Edutox	-	8,000	-	(8,000)	-
Healthy Community Campaign	-	200,000	-	(200,000)	-
Water Research	-	-	22,068	(22,068)	-
CPCHE: Radon Awareness	-	4,420	-	(4,420)	-
	<u>-</u>	<u>212,420</u>	<u>22,068</u>	<u>(234,488)</u>	<u>-</u>
Fundraising Gala	10,000	248,040	-	(258,040)	-
	<u>\$ 637,807</u>	<u>\$ 1,679,695</u>	<u>\$ 289,986</u>	<u>\$ (2,003,838)</u>	<u>\$ 603,650</u>

The Pollution Probe Foundation

Notes to the Financial Statements

March 31, 2018

8. Commitments

The Foundation has entered into various lease agreements for equipment and premises with estimated minimum annual payments as follows. The equipment operating leases expire in August 2020 and March 2019 and the office lease expires in April 2021.

2019	\$	151,609
2020		154,804
2021		156,435
2022		<u>13,186</u>
	\$	<u>476,034</u>

9. Related party transactions

During fiscal 2018, the Foundation entered into an agreement with QUEST, a not-for-profit organization. The Foundation and QUEST created a new organization (the "Organization") to act as an intermediary to complete multiple joint projects related to environmental matters of interest to both organizations. The Foundation and QUEST have equal representation on the Steering Committee tasked with all decisions related to the Organization. Included in consulting expense and in salaries and benefits expense is \$210,431 (2017 - \$Nil) and \$22,122 (2017 - \$Nil), respectively, incurred related to the Organization.

Included in professional fees is \$1,949 (2017 - \$14,096) paid to a company of which a member of the Foundation's Board of Directors is a partner.

Included in salaries and benefits is \$78,340 (2017 - \$Nil) paid to two members of the Foundation's Board of Directors for contract services.

There were no future contractual obligations associated with the related party transactions and there were \$Nil (2017 - \$10,120) due to related parties at year end.

10. Financial instruments

Transactions in financial instruments may result in the Foundation assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extent of risk related to financial instruments. There were no changes in risks from the prior year.

In the normal course of business, the Foundation is exposed to a variety of financial risks: liquidity risk, credit risk and interest rate price risk.

It is management's opinion that the Foundation is not exposed to significant interest rate cash flow, currency and other price risk.

The Pollution Probe Foundation

Notes to the Financial Statements

March 31, 2018

10. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. The Foundation is exposed to liquidity risk mainly in respect to accounts payable.

The Foundation manages its liquidity risk by forecasting cash flows from operations and investing and financing activities to ensure that it has sufficient funds or financing available to meet current and foreseeable financial obligations, including having a credit facility available.

Credit risk

Credit risk is the risk of financial loss occurring as a result of a counterparty to a financial instrument failing to discharge an obligation or commitment that it has entered into with the Foundation. The Foundation's main credit risks relate to its accounts receivable.

The Foundation reduces its exposure to credit risk by reviewing accounts receivable and establishing an allowance for doubtful accounts based upon the factors surrounding the credit risk of certain accounts. As at March 31, 2018, the allowance for doubtful accounts is \$Nil (2017 - \$Nil).

Interest rate price risk

Interest rate price risk is the risk that the fair value of an interest bearing financial instrument will fluctuate due to changes in market interest rates. The Foundation's exposure to interest rate price risk is limited to its fixed interest bearing assets.

11. Comparative figures

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2018 financial statements.