

FINANCIAL STATEMENTS
For
THE POLLUTION PROBE FOUNDATION
For year ended
MARCH 31, 2023

INDEPENDENT AUDITOR'S REPORT

To the members of

THE POLLUTION PROBE FOUNDATION

Opinion

We have audited the financial statements of The Pollution Probe Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, 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 Foundation as at March 31, 2023 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 Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

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

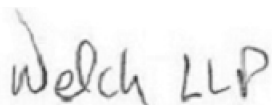
Auditor's Responsibilities for the Audit of the Financial Statements

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 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 Foundation'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 Foundation'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 Foundation 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.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
September 21, 2023.

THE POLLUTION PROBE FOUNDATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 1,550,120	\$ 649,034
Accounts receivable (note 9)	1,899,772	1,242,273
Prepaid expenses and deposits (note 9)	<u>191,500</u>	<u>207,528</u>
	3,641,392	2,098,835
 CAPITAL ASSETS (note 3)	 <u>85,432</u>	 <u>110,282</u>
	<u>\$ 3,726,824</u>	<u>\$ 2,209,117</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 9)	\$ 2,067,116	\$ 1,126,790
Deferred contributions (note 6)	784,075	609,406
Deferred capital contribution (note 7)	<u>85,432</u>	<u>110,282</u>
	2,936,623	1,846,478
 LOAN PAYABLE (note 10)	 <u>40,000</u>	 <u>40,000</u>
	<u>2,976,623</u>	<u>1,886,478</u>
 NET ASSETS		
Unrestricted	400,201	122,639
Internally restricted - reserve fund	<u>350,000</u>	<u>200,000</u>
	<u>750,201</u>	<u>322,639</u>
	<u>\$ 3,726,824</u>	<u>\$ 2,209,117</u>

Commitments (note 8)

On behalf of the Board of Directors:


 Director


 Director

(See accompanying notes)

THE POLLUTION PROBE FOUNDATION

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
Revenue		
Program contributions		
Transportation	\$ 2,112,519	\$ 1,375,763
Circular economy and Great Lakes Water	1,148,503	435,473
Energy and Energy Exchange (note 9)	895,996	589,703
Program Funding	70,000	90,000
Amortization of deferred capital contribution (note 7)	<u>30,238</u>	<u>26,531</u>
	<u>4,257,256</u>	<u>2,517,470</u>
Fundraising		
Gala	189,102	104,010
Donations (note 9)	174,727	172,041
Other income	62,264	49,460
Government subsidies	-	44,090
Other wage subsidies and grants	23,347	53,408
Investment income	<u>14,815</u>	<u>2,690</u>
	<u>464,255</u>	<u>425,699</u>
	<u>4,721,511</u>	<u>2,943,169</u>
 Expenses		
Grants	1,336,427	863,886
Salaries and benefits (note 9)	1,313,411	1,132,049
Consulting (note 9)	1,085,797	465,221
Events and promotions	188,826	4,286
Contribution to the Joint Venture (note 9)	133,578	133,333
Occupancy costs	88,878	69,271
Office and general	45,166	35,999
Professional fees (note 9)	33,259	18,394
Amortization	30,238	27,397
Travel	20,119	326
Printing and publishing	11,002	3,266
Bank charges and interest	<u>7,248</u>	<u>7,446</u>
	<u>4,293,949</u>	<u>2,760,874</u>
 Excess of revenue over expenses	 <u>\$ 427,562</u>	 <u>\$ 182,295</u>

(See accompanying notes)

THE POLLUTION PROBE FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2023

	<u>Unrestricted</u>	<u>Internally restricted - reserve fund</u>	<u>Total 2023</u>	<u>Total 2022</u>
Net assets, beginning of year	\$ 122,639	\$ 200,000	\$ 322,639	\$ 140,344
Excess of revenue over expenses	427,562	-	427,562	182,295
Transfer to internally restricted reserve fund	<u>(150,000)</u>	<u>150,000</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 400,201</u>	<u>\$ 350,000</u>	<u>\$ 750,201</u>	<u>\$ 322,639</u>

(See accompanying notes)

THE POLLUTION PROBE FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 427,562	\$ 182,295
Items not affecting cash:		
Amortization	30,238	27,397
Amortization of deferred capital contributions	<u>(30,238)</u>	<u>(26,531)</u>
	427,562	183,161
Changes in non-cash working capital components:		
Accounts receivable	(657,499)	(857,708)
Prepaid expenses and deposits	16,028	(102,398)
Accounts payable and accrued liabilities	940,326	725,093
Deferred contributions	<u>174,669</u>	<u>342,654</u>
	<u>901,086</u>	<u>290,802</u>
INVESTING ACTIVITIES		
Purchase of equipment	(5,388)	(33,524)
Proceeds from sale of equipment	<u>-</u>	<u>1,613</u>
	<u>(5,388)</u>	<u>(31,911)</u>
FINANCING ACTIVITIES		
Receipt of deferred capital contributions	<u>5,388</u>	<u>31,681</u>
INCREASE IN CASH	901,086	290,572
CASH, BEGINNING OF YEAR	<u>649,034</u>	<u>358,462</u>
CASH, END OF YEAR	<u>\$ 1,550,120</u>	<u>\$ 649,034</u>

(See accompanying notes)

THE POLLUTION PROBE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

1. NATURE OF OPERATIONS

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 accounting

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. Restricted contributions are recorded as deferred contributions on the statement of financial position and 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.

Contributions related to capital expenditures are deferred and recognized as revenue on the same basis as the related item of capital assets is amortized.

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.

Use of estimates

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 amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. These estimates are reviewed periodically and adjustments are made to revenue and expenses, as appropriate, in the period 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.

THE POLLUTION PROBE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

2. **SIGNIFICANT ACCOUNTING POLICIES - Cont'd.**

Intangible assets

The intangible assets relate 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.

Computer equipment	5 years
Great Lakes Plastic Clean-up equipment	5 years

Financial instruments

The Foundation considers any contract creating a financial asset or liability as a financial instrument. The Foundation's financial instruments comprise 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 which is measured at fair value.

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. **CAPITAL ASSETS**

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Computer equipment	\$ 2,329	\$ 2,329	\$ 2,329	\$ 2,329
Great Lakes Plastic Clean-up equipment (note 7)	<u>153,881</u>	<u>68,449</u>	<u>148,494</u>	<u>38,212</u>
	156,210	\$ 70,778	150,823	\$ 40,541
Less: accumulated amortization	<u>(70,778)</u>		<u>(40,541)</u>	
	<u>\$ 85,432</u>		<u>\$ 110,282</u>	

4. **INTANGIBLE ASSETS**

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Implementation costs of cloud-based server access	\$ 6,361	\$ 6,361	\$ 6,361	\$ 6,361
Less: accumulated amortization	<u>(6,361)</u>		<u>(6,361)</u>	
	<u>\$ -</u>		<u>\$ -</u>	

THE POLLUTION PROBE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

5. 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. No amount was drawn upon at March 31, 2023 and 2022.

6. DEFERRED CONTRIBUTIONS

	March 31, <u>2022</u>	Amounts received or <u>receivable</u>	Revenue <u>recognized</u>	March 31, <u>2023</u>
Transportation	\$ 93,423	\$ 2,112,560	\$ 2,112,520	\$ 93,463
Energy and Energy Exchange	134,134	994,973	895,996	233,111
Circular Economy and Great Lakes Water	361,849	1,194,155	1,148,503	407,501
Fundraising - Gala	-	189,102	189,102	-
Fundraising - Foundations	<u>20,000</u>	<u>100,000</u>	<u>70,000</u>	<u>50,000</u>
	<u>\$ 609,406</u>	<u>\$ 4,590,790</u>	<u>\$ 4,416,121</u>	<u>\$ 784,075</u>

7. DEFERRED CAPITAL CONTRIBUTIONS

During the year, the Foundation received contributions of \$5,388 (2022 - \$31,681) for the purchase and installation of Great Lakes Plastic Clean-up equipment for the Great Lakes Plastic Clean-up initiative. Capital assets have been fully funded by deferred capital contributions for both 2023 and 2022.

	March 31, <u>2022</u>	Amounts received or <u>receivable</u>	Revenue <u>recognized</u>	March 31, <u>2023</u>
Circular Economy and Great Lakes Water	<u>\$ 110,282</u>	<u>\$ 5,388</u>	<u>\$ 30,238</u>	<u>\$ 85,432</u>

8. COMMITMENTS

The aggregate minimum rentals for leases in effect as at March 31, 2023 are approximately as follows:

2024	\$ 76,800
2025	76,800
2026	<u>32,400</u>
	<u>\$ 186,000</u>

THE POLLUTION PROBE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

9. RELATED PARTY TRANSACTIONS

Refer to the table of figures for amounts. The total amount due to the related party is included in accounts payable and accrued liabilities. These transactions are recorded at their exchange amount which is the amount agreed upon by both parties.

- a) During fiscal 2018 the Foundation entered into an agreement with QUEST, a not-for-profit organization. The Foundation and QUEST created a new organization named Pollution Probe and QUEST Joint Venture (the "Joint Venture") 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 Joint Venture. The Foundation funded expenses incurred by the Joint Venture which are included in Contribution to the Joint Venture. The Foundation invoiced the Joint Venture for services which are included in the Energy and Energy Exchange revenues.
- b) A board member is a partner in a company that was paid for services in 2023 which were included in professional fees.
- c) A board member is President of a company that was paid for services which are included in Consulting expenses. In 2023, the company purchased a ticket to the Gala and conference which was included in Gala revenues.
- d) A board member was paid for services which are included in salaries and benefits.

	<u>Expenses</u>	<u>Revenues</u>	<u>Due to</u>	<u>Due from</u>	<u>Prepaid expenses and deposits</u>
a) Joint Venture					
2023	\$ 133,578	\$ 53,431	\$ -	\$ -	\$ 176,366
2022	133,333	53,085	-	-	106,667
b) Partner in a company					
2023	1,608	-	1,197	-	-
2022	-	-	-	-	-
c) President of a company					
2023	358,849	550	157,160	-	-
2022	137,259	-	9,146	-	-
d) Board member					
2023	99,556	-	9,074	-	-
2022	96,908	-	8,249	-	-

THE POLLUTION PROBE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

10. CANADA EMERGENCY BUSINESS ACCOUNT LOAN

The Foundation borrowed \$60,000 under the provisions of the Canada Emergency Business Account ("CEBA") program.

The loan, which was provided by The Royal Bank of Canada is non-interest bearing, unsecured and guaranteed by the Government of Canada. Repayment of principal is not required before December 31, 2023 and loan payments can be made at any time without fees or penalties. If the Foundation has paid \$40,000 of the loan amount prior to December 31, 2023, the remaining \$20,000 balance of the loan will be forgiven.

Any outstanding balance remaining at January 1, 2024 will be converted into a 3-year term loan bearing interest at a rate of 5% per annum, payable monthly. Any remaining balance on the loan will be repayable in full on December 31, 2026.

The Foundation recognized the \$20,000 forgivable portion of the loan in 2021 as management is committed to repaying the \$40,000 of the loan by December 31, 2023.

11. FINANCIAL INSTRUMENTS

The Foundation is exposed to and manages various financial risks resulting from operations. Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The Foundation's main financial risk exposures and its financial risk management policies are as follows:

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 and an operating reserve available.

Credit risk

Credit risk is the risk of loss resulting from the possibility that parties may default on their financial obligations. The Foundation's main credit risk relates to its cash, and accounts receivable. The Foundation's cash is held with a financial institution in amounts covered by CDIC, and with a Canadian chartered bank and as a result management believes the risk of loss on this item to be remote. The Foundation manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts. As a result, management believes the Foundation's credit risk with respect to accounts receivable is limited.

THE POLLUTION PROBE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

11. **FINANCIAL INSTRUMENTS - Cont'd.**

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate price risk and other price risk.

i) *Currency risk*

Currency risk is the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Foundation's financial instruments are all denominated in Canadian dollars and it transacts primarily in Canadian dollars. As a result, management believes the Foundation's currency risk is limited.

ii) *Interest rate price risk*

Interest rate price risk is the risk that the fair value of interest bearing financial instruments will fluctuate because of changes in the market interest rates. The Foundation's cash balances earn interest at prevailing market rates, and the Foundation does not hold any other interest earning financial instruments. As a result, management believes that the interest rate exposure related to these financial instruments is negligible.

iii) *Other price risk*

Other price risk is the risk that the fair value or future cash flows associated with financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate price risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. Management believes the Foundation's other price risk is negligible as it does not hold portfolio investments.

Changes in risk

There have been no significant changes in the Foundation's risk exposures from the prior year.

12. **COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the presentation adopted in the current fiscal year.