



Financial Statements

The Pollution Probe Foundation

March 31, 2019

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Independent Auditor's Report

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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, 2019, 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, 2019, 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.

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 other 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.

Independent Auditor's Report (continued)

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.

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

Toronto, Canada
September 26, 2019

Chartered Professional Accountants
Licensed Public Accountants

The Pollution Probe Foundation

Statement of Financial Position

March 31

2019

2018

Assets

Current

Cash and cash equivalents (Note 3)	\$ 263,615	\$ 629,131
Accounts receivable	441,717	359,503
Prepaid expenses and deposits	<u>15,481</u>	<u>11,728</u>

<u>720,813</u>	<u>1,000,362</u>
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Capital assets (Note 4)

10,578	16,515
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Intangible assets (Note 5)

<u>3,181</u>	<u>4,453</u>
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<u>13,759</u>	<u>20,968</u>
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<u>\$ 734,572</u>	<u>\$ 1,021,330</u>
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Liabilities

Current

Accounts payable and accrued liabilities	\$ 309,339	\$ 248,147
Deferred contributions (Note 7)	<u>278,125</u>	<u>603,650</u>

<u>587,464</u>	<u>851,797</u>
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Net assets

Invested in capital and intangible assets	13,759	20,968
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Unrestricted	33,349	68,215
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Internally restricted reserve fund	<u>100,000</u>	<u>80,350</u>
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<u>147,108</u>	<u>169,533</u>
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<u>\$ 734,572</u>	<u>\$ 1,021,330</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

2019

2018

Revenue

Program contributions		
Transportation	\$ 605,999	\$ 744,408
Energy Exchange	432,345	542,324
Energy and climate change	417,758	224,578
Human Health	150,000	234,488
	<u>1,606,102</u>	<u>1,745,798</u>

Fundraising

Gala	277,490	258,040
Donations	182,130	149,116
Other income	24,001	32,772
	<u>483,621</u>	<u>439,928</u>
	<u>2,089,723</u>	<u>2,185,726</u>

Expenses

Salaries and benefits (Note 9)	968,033	1,064,761
Consulting (Note 9)	712,236	745,879
Occupancy costs	142,386	142,962
Events and promotions	76,794	74,462
Professional fees (Note 9)	76,537	21,385
Office and general	43,195	47,696
Travel	40,039	31,091
Printing and publishing	30,312	12,999
Bank charges and interest	10,319	9,214
Amortization	7,209	7,567
Telephone	5,088	6,176
	<u>2,112,148</u>	<u>2,164,192</u>

(Deficiency) excess of revenue over expenses	<u>\$ (22,425)</u>	<u>\$ 21,534</u>
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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 2019	Total 2018
Net assets, beginning of year	\$ 20,968	\$ 68,215	\$ 80,350	\$ 169,533	\$ 147,999
(Deficiency) excess of revenue over expenses	(7,209)	(15,216)	-	(22,425)	21,534
Transfer to internally restricted reserve fund	-	(19,650)	19,650	-	-
Net assets, end of year	<u>\$ 13,759</u>	<u>\$ 33,349</u>	<u>\$ 100,000</u>	<u>\$ 147,108</u>	<u>\$ 169,533</u>

See accompanying notes to the financial statements.

The Pollution Probe Foundation

Statement of Cash Flows

Year ended March 31

2019

2018

Increase (decrease) in cash and cash equivalents

Operating

(Deficiency) excess of revenue over expenses	\$	(22,425)	\$	21,534
Items not affecting cash				
Amortization		7,209		7,567
Deferred contributions recognized (Note 7)		(1,883,592)		(2,003,838)

(1,898,808) (1,974,737)

Change in non-cash working capital items

Accounts receivable	(82,214)	227,887
Prepaid expenses and deposits	(3,753)	17,525
Accounts payable and accrued liabilities	61,192	28,789
Deferred contributions (Note 7)	1,558,067	1,969,681

(Decrease) increase in cash and cash equivalents

(365,516) 269,145

Cash and cash equivalents

 Beginning of year **629,131** 359,986

 End of year **\$ 263,615** \$ 629,131

The Pollution Probe Foundation

Notes to the Financial Statements

March 31, 2019

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, 2019

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 (deficiency) 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 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.

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, 2019

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, 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 which are measured at fair value.

Cash and cash equivalents

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.

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

	<u>2019</u>	<u>2018</u>
Cash	\$ 33,615	\$ 248,264
GICs	<u>230,000</u>	<u>380,867</u>
	<u>\$ 263,615</u>	<u>\$ 629,131</u>

One year GIC matures in January 2020 (2018 - from April 2018 to February 2019) and bear interest at 2.0% (2018 - from 0.9% to 1.6%) per annum.

The Pollution Probe Foundation

Notes to the Financial Statements

March 31, 2019

4. Capital assets

			<u>2019</u>	<u>2018</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and fixtures	\$ 24,897	\$ 19,673	\$ 5,224	\$ 7,714
Leasehold improvements	24,710	19,356	5,354	7,825
Computer equipment	6,126	6,126	-	939
Computer software	-	-	-	37
	<u>\$ 55,733</u>	<u>\$ 45,155</u>	<u>\$ 10,578</u>	<u>\$ 16,515</u>

5. Intangible assets

			<u>2019</u>	<u>2018</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	\$ 3,180	\$ 3,181	\$ 4,453

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, 2019 is \$Nil (2018 - \$Nil).

The Pollution Probe Foundation

Notes to the Financial Statements

March 31, 2019

7. Deferred contributions

Changes in the deferred contributions balance are as follows:

	Balance, March 31, 2018	Amounts received	Contributions receivable	Revenue recognized	Balance, March 31, 2019
Energy Exchange	\$ 411,850	\$ 220,495	\$ -	\$ (432,345)	\$ 200,000
Energy and climate change					
QUEST	-	321,633	8,625	(330,258)	-
Future of Natural Gas	-	45,000	30,000	(37,500)	37,500
Grid Innovation	-	-	50,000	(50,000)	-
	-	366,633	88,625	(417,758)	37,500
Transportation					
Electric/Hydrogen Vehicle Partnership	3,500	-	-	(3,500)	-
Toyota Policy Paper	9,000	-	-	(9,000)	-
Bruce Power EV Deployment Policy	40,000	40,000	339	(59,714)	20,625
Imperial Oil Pathways	109,300	-	-	(109,300)	-
Pathways Initiative	20,000	-	-	(20,000)	-
NR Canada Workshop Series	-	20,510	-	(20,510)	-
Municipal ZEV Framework	-	12,500	172,500	(175,000)	10,000
MURB EV Charging	-	-	88,490	(88,490)	-
Environmental Scan Workshop	-	-	22,123	(22,123)	-
Heavy Fuel Oils in the Arctic	-	-	21,239	(21,239)	-
Toronto EMS Assessment	-	50,000	-	(50,000)	-
Goods Movement Strategies	-	22,123	-	(22,123)	-
Transportation General	-	-	5,000	(5,000)	-
	181,800	145,133	309,691	(605,999)	30,625
Human Health					
Water Research	-	10,000	-	(10,000)	-
Great Lakes Plastics	-	30,000	-	(30,000)	-
Great Lakes Pharma Study	-	10,000	-	(10,000)	-
Big Data	-	100,000	-	(100,000)	-
	-	150,000	-	(150,000)	-
Fundraising					
Gala	10,000	277,490	-	(277,490)	10,000
	\$ 603,650	\$ 1,159,751	\$ 398,316	\$ (1,883,592)	\$ 278,125

The Pollution Probe Foundation

Notes to the Financial Statements

March 31, 2019

8. Commitments

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

2020	\$	155,574
2021		157,023
2022		<u>13,165</u>
	\$	<u>325,762</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 \$308,182 (2018 - \$210,431) and \$Nil (2018 - \$22,122), respectively, incurred related to the Organization.

Included in professional fees is \$55,350 (2018 - \$1,949) paid to a company of which a member of the Foundation's Board of Directors is a partner.

Included in salaries and benefits expense is \$89,139 paid to one member (2018 - \$78,340 paid to two members) of the Foundation's Board of Directors for contract services, of which \$8,249 is payable (2018 - \$Nil).

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, 2019

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, 2019, the allowance for doubtful accounts is \$Nil (2018 - \$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 2019 financial statements.