

FINANCIAL STATEMENTS
For
THE POLLUTION PROBE FOUNDATION
For year ended
MARCH 31, 2024

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, 2024, 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, 2024 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.

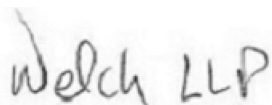
Auditor's Responsibilities for the Audit of the Financial Statements

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 20, 2024.

THE POLLUTION PROBE FOUNDATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2024

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents (note 3)	\$ 1,688,282	\$ 1,550,120
Accounts receivable (note 10)	2,105,176	1,899,772
Prepaid expenses and deposits (note 10)	<u>150,629</u>	<u>191,500</u>
	3,944,087	3,641,392
CAPITAL ASSETS (note 4)	58,234	85,432
INTANGIBLE ASSETS (note 5)	<u>6,063</u>	<u>-</u>
	<u>\$ 4,008,384</u>	<u>\$ 3,726,824</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 10)	\$ 2,266,154	\$ 2,067,116
Deferred contributions (note 7)	1,096,239	784,075
Deferred capital contribution (note 8)	<u>58,234</u>	<u>85,432</u>
	3,420,627	2,936,623
LOAN PAYABLE (note 11)	<u>-</u>	<u>40,000</u>
	<u>3,420,627</u>	<u>2,976,623</u>
NET ASSETS		
Unrestricted	97,757	400,201
Internally restricted - reserve fund	<u>490,000</u>	<u>350,000</u>
	<u>587,757</u>	<u>750,201</u>
	<u>\$ 4,008,384</u>	<u>\$ 3,726,824</u>
Commitments (note 9)		

On behalf of the Board of Directors:


 Director

 Director

(See accompanying notes)

THE POLLUTION PROBE FOUNDATION

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2024

	<u>2024</u>	<u>2023</u>
Revenue		
Program contributions		
Transportation	\$ 3,475,860	\$ 2,112,519
Energy and Energy Exchange (note 10)	548,420	895,996
Circular economy and Great Lakes Water	391,470	1,148,503
Program Funding	134,500	70,000
Amortization of deferred capital contribution (note 8)	<u>31,173</u>	<u>30,238</u>
	<u>4,581,423</u>	<u>4,257,256</u>
Fundraising		
Gala (note 10)	169,173	189,102
Donations	155,361	174,727
Investment income	42,877	14,815
Other income	16,376	62,264
Other wage subsidies and grants	<u>8,305</u>	<u>23,347</u>
	<u>392,092</u>	<u>464,255</u>
	<u>4,973,515</u>	<u>4,721,511</u>
Expenses		
Grants	2,478,994	1,336,427
Salaries and benefits (note 10)	1,432,066	1,313,411
Consulting (note 10)	634,639	1,085,797
Contribution to the Joint Venture (note 10)	220,797	133,578
Events and promotions	123,121	188,826
Occupancy costs	82,499	88,878
Office and general	50,742	45,166
Professional fees (note 10)	39,029	33,259
Amortization	32,386	30,238
Travel	28,748	20,119
Bank charges and interest	6,806	7,248
Printing and publishing	<u>6,132</u>	<u>11,002</u>
	<u>5,135,959</u>	<u>4,293,949</u>
Excess (deficiency) of revenue over expenses	<u>\$ (162,444)</u>	<u>\$ 427,562</u>

(See accompanying notes)

THE POLLUTION PROBE FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2024

	<u>Unrestricted</u>	Internally restricted - reserve fund	<u>Total 2024</u>	<u>Total 2023</u>
Net assets, beginning of year	\$ 400,201	\$ 350,000	\$ 750,201	\$ 322,639
Excess (deficiency) of revenue over expenses	(162,444)	-	(162,444)	427,562
Transfer to internally restricted reserve fund	<u>(140,000)</u>	<u>140,000</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 97,757</u>	<u>\$ 490,000</u>	<u>\$ 587,757</u>	<u>\$ 750,201</u>

(See accompanying notes)

THE POLLUTION PROBE FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2024

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (162,444)	\$ 427,562
Items not affecting cash:		
Amortization	32,386	30,238
Amortization of deferred capital contributions	<u>(31,173)</u>	<u>(30,238)</u>
	(161,231)	427,562
Changes in non-cash working capital components:		
Accounts receivable	(205,404)	(657,499)
Prepaid expenses and deposits	40,871	16,028
Accounts payable and accrued liabilities	199,039	940,326
Deferred contributions	<u>312,162</u>	<u>174,669</u>
	<u>185,437</u>	<u>901,086</u>
INVESTING ACTIVITIES		
Purchase of equipment	(3,975)	(5,388)
Purchase of intangible assets	<u>(7,276)</u>	<u>-</u>
	<u>(11,251)</u>	<u>(5,388)</u>
FINANCING ACTIVITIES		
Receipt of deferred capital contributions	3,976	5,388
Repayment of long term loan	<u>(40,000)</u>	<u>-</u>
	<u>(36,024)</u>	<u>5,388</u>
INCREASE IN CASH	138,162	901,086
CASH, BEGINNING OF YEAR	<u>1,550,120</u>	<u>649,034</u>
CASH, END OF YEAR	<u>\$ 1,688,282</u>	<u>\$ 1,550,120</u>

(See accompanying notes)

THE POLLUTION PROBE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

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, 2024

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

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

Intangible assets

The intangible assets are recorded at cost, and relate to the implementation costs of cloud based server access and the costs of rebuilding the web site. Amortization is provided using the straight line method at rates intended to amortize the costs of the assets over their estimated useful lives.

Implementation costs of cloud-based server access	5 years
Costs of rebuilding the web site	3 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 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.

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>2024</u>	<u>2023</u>
Cash	\$ 1,238,282	\$ 1,550,120
Cashable guaranteed investment certificates	<u>450,000</u>	<u>-</u>
	<u>\$ 1,688,282</u>	<u>\$ 1,550,120</u>

4. **CAPITAL ASSETS**

	<u>2024</u>		<u>2023</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 8)	<u>157,856</u>	<u>99,622</u>	<u>153,881</u>	<u>68,449</u>
	160,185	<u>\$ 101,951</u>	156,210	<u>\$ 70,778</u>
Accumulated amortization	<u>(101,951)</u>		<u>(70,778)</u>	
	<u>\$ 58,234</u>		<u>\$ 85,432</u>	

THE POLLUTION PROBE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2024

5. INTANGIBLE ASSETS

	<u>2024</u>		<u>2023</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
Cost of rebuilding the website	<u>7,276</u>	<u>1,213</u>	<u>-</u>	<u>-</u>
	13,637	<u>\$ 7,574</u>	6,361	<u>\$ (6,361)</u>
Accumulated amortization		<u>(7,574)</u>		<u>(6,361)</u>
	<u>\$ 6,063</u>		<u>\$ -</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. No amount was drawn upon at March 31, 2024 and 2023.

7. DEFERRED CONTRIBUTIONS

	<u>March 31, 2023</u>	<u>Amounts received or receivable</u>	<u>Revenue recognized</u>	<u>March 31, 2024</u>
Transportation	\$ 93,463	\$ 3,497,234	\$ 3,475,860	\$ 114,837
Energy and Energy Exchange	233,111	506,837	548,420	191,528
Circular Economy and Great Lakes Water	407,501	750,821	430,948	727,374
Fundraising - Gala	-	169,175	169,175	-
Fundraising - Foundations	<u>50,000</u>	<u>147,000</u>	<u>134,500</u>	<u>62,500</u>
	<u>\$ 784,075</u>	<u>\$ 5,071,067</u>	<u>\$ 4,758,903</u>	<u>\$ 1,096,239</u>

8. DEFERRED CAPITAL CONTRIBUTIONS

During the year, the Foundation received contributions of \$3,975 (2023 - \$5,388) 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 2024 and 2023.

	<u>March 31, 2023</u>	<u>Amounts received or receivable</u>	<u>Revenue recognized</u>	<u>March 31, 2024</u>
Circular Economy and Great Lakes Water	<u>\$ 85,432</u>	<u>\$ 3,976</u>	<u>\$ 31,174</u>	<u>\$ 58,234</u>

THE POLLUTION PROBE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2024

9. COMMITMENTS

The aggregate minimum rentals for leases in effect as at March 31, 2024 are approximately as follows:

2025		\$	76,800
2026			<u>32,400</u>
			<u>\$ 109,200</u>

10. 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 2024 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 2024, 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					
2024	\$ 220,797	\$ 72,233	\$ -	\$ 11,777	\$ 133,293
2023	133,578	53,431	-	-	176,366
b) Partner in a company					
2024	3,412	5,000	-	-	-
2023	1,608	-	1,197	-	-
c) President of a company					
2024	158,848	500	4,637	-	-
2023	358,849	550	157,160	-	-
d) Board member					
2024	108,853	-	9,074	-	-
2023	\$ 99,556	\$ -	\$ 9,074	\$ -	\$ -

THE POLLUTION PROBE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2024

11. 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 was non-interest bearing, unsecured and guaranteed by the Government of Canada. Repayment of the principal was not required before December 31, 2023 and loan payments could be made at any time without fees or penalties. If the Foundation paid \$40,000 of the loan amount prior to December 31, 2023, the remaining \$20,000 balance of the loan was forgiven. The Foundation repaid \$40,000 of the loan amount on December 8, 2023 and accordingly the remaining \$20,000 balance has been forgiven. The amount of the loan balance is \$nil (2023 \$40,000).

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

12. 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, 2024

12. **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.