

**Wood Buffalo Environmental
Association
Financial Statements**
March 31, 2019

Management's Responsibility

To the Members of Wood Buffalo Environmental Association:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of members who are neither management nor employees of the Association. The Board appoints a Governance Committee which is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Governance Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Governance Committee is also responsible for recommending the appointment of the Association's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Governance Committee and management to discuss their audit findings.

June 14, 2019



Sanjay Prasad, Executive Director

Independent Auditor's Report

To the Members of Wood Buffalo Environmental Association:

Opinion

We have audited the financial statements of Wood Buffalo Environmental Association (the "Association"), 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 Association 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 Association 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.

Other Information

Management is responsible for the other information. The other information comprises the annual report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

The annual report is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this information, we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Those charged with governance are responsible for overseeing the Association'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 Association'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 Association'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 Association 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.

Fort McMurray, Alberta

June 14, 2019

MNP LLP

Chartered Professional Accountants

Wood Buffalo Environmental Association

Statement of Financial Position

As at March 31, 2019

	2019	2018
Assets		
Current		
Cash and cash equivalents	2,242,639	465,515
Restricted cash (Note 6)	2,044,784	2,000,000
Accounts receivable	2,686,868	4,792,208
Prepaid expenses and deposits	122,917	219,110
Inventory	521,367	562,624
Goods and Services Tax receivable	60,314	144,628
	7,678,889	8,184,085
Capital assets (Note 3)	2,862,609	3,258,470
	10,541,498	11,442,555
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 8)	4,241,406	5,245,223
Government remittances payable	63,946	39,933
Deferred contributions (Note 4)	188,500	-
	4,493,852	5,285,156
Commitments (Note 5)		
Net Assets		
Investment in capital assets	2,862,609	3,258,470
Internally restricted (Note 6)	2,000,000	2,000,000
Non-program reserve (Note 6)	84,035	9,322
Unrestricted	1,101,002	889,607
	6,047,646	6,157,399
	10,541,498	11,442,555

Approved on behalf of the Board

Director 

Director 

The accompanying notes are an integral part of these financial statements

Wood Buffalo Environmental Association
Statement of Operations
For the year ended March 31, 2019

	2019	2018
Revenue		
AEP grant funding <i>(Note 8), (Note 10)</i>	11,126,615	11,527,335
Station builds	392,877	-
In-kind contributions <i>(Note 7)</i>	144,550	134,550
Interest and other income	108,859	11,624
Grants	-	116,223
	11,772,901	11,789,732
Cost of sales - Station builds	387,588	-
	11,385,313	11,789,732
Program expenses		
Ambient air monitoring <i>(Schedule 1)</i>	4,986,614	4,626,024
Data management <i>(Schedule 2)</i>	426,353	401,939
Knowledge translation <i>(Schedule 3)</i>	-	99,943
Administration <i>(Schedule 4)</i>	1,514,476	1,623,202
Deposition monitoring <i>(Schedule 5)</i>	2,423,891	1,726,475
Odour monitoring <i>(Schedule 6)</i>	97,144	203,785
Enhanced deposition <i>(Schedule 7)</i>	35,000	81,806
Traditional knowledge <i>(Schedule 8)</i>	264,705	248,410
	9,748,183	9,011,584
Other expenditures		
Amortization	1,441,049	1,357,113
In-kind expenses <i>(Note 7)</i>	144,550	134,550
Specific projects	123,579	123,579
Write down of capital assets <i>(Note 3)</i>	56,156	-
	1,765,334	1,615,242
Total expenses	11,513,517	10,626,826
Excess (deficiency) of revenue over expenses before gain on disposal of capital assets	(128,204)	1,162,906
Gain on disposal of capital assets	18,451	41,211
Excess (deficiency) of revenue over expenses <i>(Note 8)</i>	(109,753)	1,204,117

The accompanying notes are an integral part of these financial statements

Wood Buffalo Environmental Association
Statement of Changes in Net Assets

For the year ended March 31, 2019

	<i>Investment in capital assets</i>	<i>Internally restricted</i>	<i>Non-program reserve</i>	<i>Unrestricted</i>	2019	2018
Net assets, beginning of year	3,258,470	2,000,000	9,322	889,607	6,157,399	4,953,282
Excess (deficiency) of revenue over expenses	-	-	-	(109,753)	(109,753)	1,204,117
Transfer from internally restricted net assets <i>(Note 6)</i>	-	-	74,713	(74,713)	-	-
Amortization of capital assets internally funded	(1,441,049)	-	-	1,441,049	-	-
Capital assets acquired from internal funds	1,171,297	-	-	(1,171,297)	-	-
Net book value of capital asset disposals	(69,953)	-	-	69,953	-	-
Writedown of capital assets <i>(Note 3)</i>	(56,156)	-	-	56,156	-	-
Net assets, end of year	2,862,609	2,000,000	84,035	1,101,002	6,047,646	6,157,399

The accompanying notes are an integral part of these financial statements

Wood Buffalo Environmental Association
Statement of Cash Flows
For the year ended March 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating		
Cash received from contributions (Note 7)	13,863,739	10,567,100
Cash receipts from grants	-	116,223
Interest received	58,452	9,322
Cash paid for program service expenses (Note 7)	(7,787,716)	(6,291,732)
Cash paid for salaries and benefits	(3,226,658)	(3,148,574)
Interest paid	(3,016)	(2,866)
	2,904,801	1,249,473
Investing		
Purchase of capital assets using internal funds	(1,171,297)	(2,168,829)
Proceeds on disposal of capital assets	88,404	46,400
	(1,082,893)	(2,122,429)
Increase (decrease) in cash resources	1,821,908	(872,956)
Cash resources, beginning of year	2,465,515	3,338,471
Cash resources, end of year	4,287,423	2,465,515
Cash resources are composed of:		
Cash and cash equivalents	2,242,639	465,515
Restricted cash	2,044,784	2,000,000
	4,287,423	2,465,515

The accompanying notes are an integral part of these financial statements

Wood Buffalo Environmental Association

Notes to the Financial Statements

For the year ended March 31, 2019

1. Incorporation and nature of the association

Wood Buffalo Environmental Association (the "Association") was registered under the authority of the Alberta Societies Act and is a not-for-profit organization. The Association is exempt from income taxes under section 149 (1)(l) of the Income Tax Act ("the Act"). In order to maintain its status as a not-for-profit organization under the Act, the Association must meet certain requirements within the Act. In the opinion of management these requirements have been met.

Wood Buffalo Environmental Association is a multi-stakeholder, consensus based organization that operates air quality and terrestrial environmental effects programs in Northeastern Alberta.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

Revenue recognition

The Association 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.

Station builds revenue is recognized when a price is agreed, all significant contractual obligations have been satisfied, and collectability is reasonably assured. Rental revenue from rental agreements is recognized over the rental term.

Cash and cash equivalents

Cash and cash equivalents include the bank balance and petty cash balance and include cash subject to restrictions that prevent its use for current purposes (Note 6).

Inventory

Inventory is valued at the lower of cost and replacement cost. Cost is determined by the first in, first out method.

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials are used in the normal course of the Association's operations and would otherwise have been purchased.

Employee future benefits

The Association's employee future benefit program consists of an RRSP matching plan. Contributions in the current year were \$241,326 (2018 - \$320,960).

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the following methods at rates intended to amortize the cost of assets over their estimated useful lives.

All capital assets are amortized at 20% straight line with no residual value (see Note 3).

Wood Buffalo Environmental Association

Notes to the Financial Statements

For the year ended March 31, 2019

2. Significant accounting policies *(Continued from previous page)*

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess (deficiency) of revenues over expenses in the periods in which they become known.

Financial instruments

The Association recognizes its financial instruments when the Association becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. At initial recognition, the Association may irrevocably elect to subsequently measure any financial instrument at fair value.

The Association subsequently measures investments in equity instruments quoted in an active market. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess (deficiency) of revenues over expenses for the current period. Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

The Association assesses 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 excess (deficiency) of revenues over expenses.

3. Capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Air quality monitoring stations and equipment	12,289,234	10,292,751	1,996,483	2,923,382
Computer equipment	142,105	138,740	3,365	7,640
Database and website	325,509	311,478	14,031	19,096
Fences and towers	59,719	59,719	-	-
Leasehold improvements	1,001,198	307,962	693,236	56,157
Office equipment	369,192	347,696	21,496	51,198
Site preparation	334,995	200,997	133,998	200,997
	14,521,952	11,659,343	2,862,609	3,258,470

During the year, the Association relocated to a new office and therefore the leasehold improvements at the former locations no longer have long-term service potential. As a result, leasehold improvements with a carrying amount of \$56,156 were written off in the year.

4. Deferred contributions

Deferred contributions consist of unspent contributions externally restricted for the knowledge translation program. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are incurred.

Wood Buffalo Environmental Association

Notes to the Financial Statements

For the year ended March 31, 2019

5. Commitments

The Association has entered into various office space, service, and equipment leases with estimated minimum annual payments as follows:

2020	710,000
2021	639,939
2022	602,405
2023	559,824
2024	552,197
2025	552,197

6. Internally restricted

The Association's members internally restricted \$2,000,000 of net assets to be utilized in the event there is a lag in receipt of funding from the province. These internally restricted amounts are not available for other purposes without approval of the Governance Committee.

The Association also has restricted funds, which are included in the non-program reserve, resulting from income earned that is not associated with government funding. At March 31, 2019, the Governance Committee approved the transfer of \$74,713 (2018 - \$9,322) to the non-program reserve.

7. In-kind contributions and expenditures

In-kind contributions and expenditures include \$144,550 (2018 - \$134,550) which represent the estimated value of services provided by members in attendance at governance committee, general membership, AATC, DM, Odour, communications meetings and workshops as well as contributed furniture below the \$5,000 capitalization threshold. These transactions have been excluded from the statement of cash flows.

8. Supplemental information regarding excess of revenue over expenses

The final year to date project reconciliation indicates a cumulative excess in funding received from previous year, in the amount of \$3,156,839 (2018 - \$3,156,839). This excess in funding has been recognized as a liability and is included in accounts payable and accrued liabilities in the statement of financial position.

Excess (deficiency) of revenue over expenses include funds received from Alberta Environmental Monitoring, Alberta Environment and Parks ("AEP") that were spent on capital asset purchases during the period, and transferred to investment in capital assets on the statement of changes in net assets.

Since the excess (deficiency) of revenue over expenses excludes funds that were spent on capital asset purchases, and includes non-cash expenses, the financial statements will not reflect the actual surplus funding as reported by the Association to AEP in the year to date project reconciliation.

9. Financial instruments

The Association, as part of its operations, carries a number of financial instruments. It is management's opinion that the Association is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

As at March 31, 2019, one funder (2018 - one) accounted for 99% (2018 - 96%) of accounts receivable. The Association believes that there is no unusual exposure associated with the collection of these receivables.

Wood Buffalo Environmental Association
Notes to the Financial Statements
For the year ended March 31, 2019

10. Economic dependence

Approximately 95% (2018 - 98%) of the Association's contributions are made by one (2018 - one) contributor, AEP. The funding under the associated contract is renewed on an annual basis. As of the date of these financial statements, the funding has not been approved by AEP for the 2020 year. A loss of this funding could have a materially adverse impact on the Association's operations.

11. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

Wood Buffalo Environmental Association Schedule 1 - Ambient Air Monitoring Expenditures

For the year ended March 31, 2019

	2019	2018
Expenditures		
Audits	7,362	30,068
Field operation centre - occupancy	210,906	418,448
Fort Chipewyan expenses - AMS 8	11,694	14,756
Information technology	107,748	113,082
Lab analysis	739,550	735,451
Materials and consumables	147,780	347,074
Occupancy cost - 805 Memorial Drive	718,423	-
Operational expense (station utilities and insurance)	152,735	124,864
Professional fees - external	295,664	488,727
Professional fees - internal	2,146,765	1,883,740
Reference standards, span & support gases	83,784	95,990
Safety training	36,485	16,180
Shipping	22,808	26,931
Stakeholder engagement	-	1,550
Station and site maintenance	64,582	106,003
Technology assessment and review	-	3,709
Training	20,595	36,787
Vehicles	207,484	168,367
Wet precipitation	12,249	14,297
	4,986,614	4,626,024

Wood Buffalo Environmental Association
Schedule 2 - Data Management Expenditures

For the year ended March 31, 2019

2019 **2018**

Expenditures

DMS management, hosting, and operations **426,353** 401,939

Wood Buffalo Environmental Association
Schedule 3 - Knowledge Translation Expenditures

For the year ended March 31, 2019

2019 **2018**

Expenditures

Communications

- 99,943

Wood Buffalo Environmental Association
Schedule 4 - Administration Expenditures

For the year ended March 31, 2019

	2019	2018
Expenditures		
Audit & legal	53,596	50,184
Conferences & meetings	28,908	60,468
Emergent items	11,900	-
Information technology	103,383	77,825
Insurance	57,128	33,241
Occupancy costs - Thickwood	263,286	242,537
Office equipment lease	17,850	20,697
Office expense	131,606	88,374
Office vehicle	-	12,263
Safety & mandatory training	23,899	28,645
Salary, wages and professional fees	774,791	955,139
Stakeholder involvement	26,001	21,376
Travel	22,128	32,453
	1,514,476	1,623,202

Wood Buffalo Environmental Association
Schedule 5 - Deposition Monitoring Expenditures

For the year ended March 31, 2019

2019 **2018**

Expenditures

Deposition training	-	3,407
Dry deposition monitoring	184,067	208,897
Forest health monitoring	583,738	94,558
Instrumented MET towers	111,757	101,027
Passive monitoring	483,374	416,528
Program design review	466,022	380,681
Program management	455,389	496,154
Remote continuous ozone monitoring	60,730	23,590
Stakeholder engagement	-	1,633
Wetland plants	78,814	-

2,423,891 1,726,475

Wood Buffalo Environmental Association
Schedule 6 - Odour Monitoring Expenditures

For the year ended March 31, 2019

2019 **2018**

Expenditures

Acute odour monitoring	40,395	31,671
Ambient odour study	56,749	125,916
Labour & professional fees	-	30,778
Odour measurement	-	15,420

97,144 203,785

Wood Buffalo Environmental Association
Schedule 7 - Enhanced Deposition Expenditures

For the year ended March 31, 2019

2019 **2018**

Enhanced deposition **35,000** **81,806**

Wood Buffalo Environmental Association
Schedule 8 - Traditional Knowledge Expenditures

For the year ended March 31, 2019

	2019	2018
Traditional knowledge		
Traditional knowledge	264,705	214,600
Wetland plants	-	33,810
	264,705	248,410
