

**Wood Buffalo Environmental Association**  
**Financial Statements**  
*March 31, 2022*

## Management's Responsibility

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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, 2022

*signed by "Sanjay Prasad"*

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Sanjay Prasad, Executive Director

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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, 2022, 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, 2022, 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.

## 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, 2022

*MNP LLP*

Chartered Professional Accountants

# Wood Buffalo Environmental Association

## Statement of Financial Position

*As at March 31, 2022*

	2022	2021
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	3,008,681	3,215,518
Restricted cash (Note 6)	2,207,817	2,157,962
Term deposit (Note 3)	40,000	40,000
Accounts receivable	2,080,918	2,494,496
Prepaid expenses and deposits	143,645	127,705
Inventory	565,093	580,552
Goods and Services Tax receivable	55,728	88,776
	<b>8,101,882</b>	8,705,009
<b>Capital assets (Note 4)</b>	<b>3,329,314</b>	3,325,725
	<b>11,431,196</b>	12,030,734
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 4), (Note 8)	4,527,833	5,194,243
Government remittances payable	50,086	37,682
	<b>4,577,919</b>	5,231,925
<b>Commitments (Note 5)</b>		
<b>Significant event (Note 11)</b>		
<b>Net Assets</b>		
Investment in capital assets	3,329,314	3,325,725
Internally restricted (Note 6)	2,000,000	2,000,000
Non-program reserve (Note 6)	265,788	228,609
Unrestricted	1,258,175	1,244,475
	<b>6,853,277</b>	6,798,809
	<b>11,431,196</b>	12,030,734

**Approved on behalf of the Board**

*signed by "Clifford Dimm"*

**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, 2022

	2022	2021
<b>Revenue</b>		
AEP grant funding (Note 8), (Note 10)	11,200,461	10,503,254
Interest and other income	316,575	345,546
Station builds	265,042	-
Grants	217,014	77,964
In-kind contributions (Note 7)	80,050	66,500
Field Support	-	13,524
	12,079,142	11,006,788
<b>Cost of sales - station builds</b>	248,024	-
	11,831,118	11,006,788
<b>Program expenses</b>		
Ambient air monitoring (Schedule 1)	6,023,249	5,236,721
Data management (Schedule 2)	384,166	318,567
Knowledge translation (Schedule 3)	119,135	77,964
Administration (Schedule 4)	1,530,389	1,319,876
Deposition monitoring (Schedule 5)	1,425,991	1,474,596
Odour monitoring (Schedule 6)	-	18,907
Traditional knowledge (Schedule 7)	84,427	189,354
	9,567,357	8,635,985
<b>Other expenditures</b>		
Amortization	1,700,654	1,452,978
Specific projects	419,379	419,379
In kind expenses (Note 7)	80,050	66,500
	2,200,083	1,938,857
<b>Total expenses</b>	11,767,440	10,574,842
<b>Excess of revenue over expenses before loss on disposal of capital assets</b>	63,678	431,946
<b>Loss on disposal of capital assets</b>	(9,210)	-
<b>Excess of revenue over expenses (Note 8)</b>	54,468	431,946

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, 2022*

	<i>Investment in capital assets</i>	<i>Internally restricted</i>	<i>Non-program reserve</i>	<i>Unrestricted</i>	<b>2022</b>	2021
<b>Net assets, beginning of year</b>	3,325,725	2,000,000	228,609	1,244,475	<b>6,798,809</b>	6,366,863
<b>Excess of revenue over expenses</b>	-	-	-	54,468	<b>54,468</b>	431,946
<b>Transfer of internally restricted net assets</b> <i>(Note 6)</i>	-	-	37,179	(37,179)	-	-
<b>Amortization of capital assets</b>	(1,700,654)	-	-	1,700,654	-	-
<b>Capital assets acquired</b>	1,756,055	-	-	(1,758,893)	-	-
<b>Net book value of capital asset disposals</b>	(51,812)	-	-	54,650	-	-
<b>Net assets, end of year</b>	<b>3,329,314</b>	<b>2,000,000</b>	<b>265,788</b>	<b>1,258,175</b>	<b>6,853,277</b>	6,798,809

*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, 2022*

	<b>2022</b>	<b>2021</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Cash received from contributions (Note 7)	12,389,430	10,553,694
Cash paid for program service expenses (Note 7)	(5,898,513)	(5,916,798)
Cash paid for salaries and benefits	(4,203,406)	(3,796,887)
Interest received	12,118	43,734
	<b>2,299,629</b>	<b>883,743</b>
<b>Investing</b>		
Purchase of capital assets from internal funds	(2,502,051)	(960,962)
Proceeds on disposal of capital assets	45,440	-
	<b>(2,456,611)</b>	<b>(960,962)</b>
<b>Decrease in cash resources</b>	<b>(156,982)</b>	<b>(77,219)</b>
<b>Cash resources, beginning of year</b>	<b>5,373,480</b>	<b>5,450,699</b>
<b>Cash resources, end of year</b>	<b>5,216,498</b>	<b>5,373,480</b>
<b>Cash resources are composed of:</b>		
Cash and cash equivalents	3,008,681	3,215,518
Restricted cash	2,207,817	2,157,962
	<b>5,216,498</b>	<b>5,373,480</b>

*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, 2022

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### 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. Field Support revenue is recognized when services have been provided and collection is reasonably assured.

#### **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 revenues 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 \$302,114 (2021 - \$296,041).

#### **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 with the exception of leasehold improvements are amortized at 20% straight line with no residual value. Leasehold improvements are amortized over their lease term. (see Note 4).

# Wood Buffalo Environmental Association

## Notes to the Financial Statements

For the year ended March 31, 2022

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

#### **Long-lived assets**

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Association writes down long-lived assets held for use when conditions indicate that the asset no longer contributes to the Association's ability to provide goods and services. The asset are also written-down when the value of future economic benefits or service potential associated with the asset is less than its net carrying amount. When the Association determines that a long-lived asset is impaired, its carrying amount is written down to the asset's fair value.

#### **Financial instruments**

The Association recognizes financial instruments when the Association becomes party to the contractual provisions of the financial instrument.

#### **Arm's length financial instruments**

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Association may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Association has not made such an election during the year.

The Association subsequently measures investments in equity instruments quoted in an active market and all derivative instruments at fair value. 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 excess of revenue over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

#### **Related party financial instruments**

The Association initially measures investments or debt instruments with a quoted market value or derivatives originated in a related party transaction ("related party financial instruments") at fair value.

All other related party financial instruments are measured at cost on initial recognition.

At initial recognition, the Association may elect to subsequently measure related party debt instruments that are quoted in active market, or that have observable inputs significant to the determination of fair value, at fair value. The Association has not made such an election during the year, thus all such related party debt instruments are subsequently measured at amortized cost.

The Association subsequently measures investments in equity instruments quoted in an active market and all derivative instruments at fair value.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of related party financial instruments are immediately recognized in excess of revenue over expenses.

#### **Financial asset impairment**

The Association assesses impairment of all its financial assets measured at cost or amortized cost. The Association reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

Any impairment, which is not considered temporary, is included in current year excess of revenue over expenses. The Association reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in excess of revenue over expenses in the year the reversal occurs.

# Wood Buffalo Environmental Association

## Notes to the Financial Statements

*For the year ended March 31, 2022*

### 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 of revenues over expenses in the periods in which they become known.

### 3. Term deposit

The term deposit earns interest at 0.45% per annum and matures February 28, 2023. It is held as security for letters of credit in the amount of \$40,000 as issued by the Association's banking institution.

### 4. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2022 Net book value</i>	<i>2021 Net book value</i>
Air quality monitoring stations and equipment	14,436,759	12,283,992	2,152,767	2,121,145
Computer equipment	175,796	47,227	128,569	331
Database and website	282,014	203,460	78,554	104,563
Leasehold improvements	1,771,843	1,237,136	534,707	769,797
Office equipment	289,472	196,561	92,911	42,277
Site preparation	835,578	493,772	341,806	287,612
	17,791,462	14,462,148	3,329,314	3,325,725

Included in accounts payable and accruals is \$77,116 (2021 - \$823,112) related to capital assets.

### 5. Commitments

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

2023	825,523
2024	77,836
2025	44,550
2026	9,406
2027	9,406

### 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, 2022, the Governance Committee approved the transfer of \$37,179 (2021 - \$43,734) to the non-program reserve.

# Wood Buffalo Environmental Association

## Notes to the Financial Statements

For the year ended March 31, 2022

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### 7. In-kind contributions and expenditures

In-kind contributions and expenditures include \$80,050 (2021 - \$66,500) which represent the estimated value of services provided by members in attendance at governance committee, general membership, AATC, TEEM, and odour meetings and workshops. These transactions have been excluded from the statement of cash flows.

### 8. Supplemental information regarding excess of revenue over expenses

The current year to date project reconciliation indicates a cumulative excess in funding received in the amount of \$3,259,704 (2021 - \$3,238,874) from both AEP and grants. 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 of revenue over expenses includes 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 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, 2022, two funders (2021 - one) accounted for 99% (2021 - 99%) of accounts receivable. The Association believes that there is no unusual exposure associated with the collection of these receivables.

### 10. Economic dependence

Approximately 97% (2021 - 99%) of the Association's contributions are made by one (2021 - 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 2023 year. A loss of this funding could have a materially adverse impact on the Association's operations.

### 11. COVID-19 outbreak

In March 2020, there was a global break of COVID (coronavirus), which had a significant impact on businesses through the restrictions put in place by the Canadian federal, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The Association continued operations throughout the year in accordance with Government of Alberta guidelines

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Association as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

**Wood Buffalo Environmental Association**  
**Schedule 1 - Ambient Air Monitoring Expenditures**

*For the year ended March 31, 2022*

	<b>2022</b>	<b>2021</b>
<b>Expenditures</b>		
Audits	5	23,097
Fort Chipewyan expenses - AMS 8	15,573	7,398
GC Calibration and maintenance fees	59,257	45,130
Information technology	184,229	109,617
Lab analysis	995,812	902,563
Materials and consumables	366,290	342,517
Occupancy cost - 805 Memorial Drive	647,594	598,680
Odour Monitoring	10,500	-
Operational expense (station utilities and insurance)	299,513	239,196
Professional fees - external	191,521	216,487
Professional fees - internal	2,654,338	2,284,926
Reference standards, span & support gases	136,402	143,672
Safety training	19,810	11,277
Shipping	14,924	22,146
Station and site maintenance	186,851	57,187
Training	15,387	1,554
Vehicles	225,243	231,274
	<b>6,023,249</b>	<b>5,236,721</b>

**Wood Buffalo Environmental Association**  
**Schedule 2 - Data Management Expenditures**

*For the year ended March 31, 2022*

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**2022** **2021**

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**Expenditures**

DMS management, hosting, and operations

**384,166**

318,567

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**Wood Buffalo Environmental Association**  
**Schedule 3 - Knowledge Translation Expenditures**

*For the year ended March 31, 2022*

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**2022** **2021**

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**Expenditures**

Knowledge translation

**119,135**

**77,964**

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**Wood Buffalo Environmental Association**  
**Schedule 4 - Administration Expenditures**

*For the year ended March 31, 2022*

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	<b>2022</b>	<b>2021</b>
<b>Expenditures</b>		
Audit & legal	<b>46,968</b>	72,861
Conferences & meetings	<b>7,953</b>	1,769
Information technology	<b>86,300</b>	75,454
Insurance	<b>58,993</b>	57,522
Office equipment lease	<b>17,304</b>	17,260
Office expense	<b>114,686</b>	67,010
Safety & mandatory training	<b>90,101</b>	73,883
Salary, wages and professional fees	<b>1,082,450</b>	934,632
Stakeholder involvement	<b>25,370</b>	18,909
Travel	<b>264</b>	576
	<b>1,530,389</b>	1,319,876

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**Wood Buffalo Environmental Association**  
**Schedule 5 - Deposition Monitoring Expenditures**

*For the year ended March 31, 2022*

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**2022**                      **2021**

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**Expenditures**

Deposition training	<b>8,414</b>	299
Dry deposition monitoring	<b>195,540</b>	174,164
Forest health monitoring	<b>284,838</b>	119,700
Field support	-	15,932
Instrumented MET towers	<b>87,063</b>	130,556
Passive monitoring	<b>141,614</b>	438,703
Program management	<b>679,752</b>	579,786
Remote continuous ozone monitoring	<b>28,770</b>	15,456
	<b>1,425,991</b>	1,474,596

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**Wood Buffalo Environmental Association  
Schedule 6 - Odour Monitoring Expenditures**

*For the year ended March 31, 2022*

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**2022** **2021**

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**Expenditures**

Ambient odour study	-	18,907
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**Wood Buffalo Environmental Association**  
**Schedule 7 - Traditional Knowledge Expenditures**

*For the year ended March 31, 2022*

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**2022**

**2021**

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**Traditional knowledge**

**84,427**

**189,354**

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