

Wood Buffalo Environmental Association
Financial Statements
March 31, 2023

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.

September 29, 2023

signed by "Sanjay Prasad"

Sanjay Prasad, Executive Director

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, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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

September 29, 2023

MNP LLP

Chartered Professional Accountants

Wood Buffalo Environmental Association

Statement of Financial Position

As at March 31, 2023

	2023	2022
Assets		
Current		
Cash and cash equivalents	2,095,727	3,008,681
Restricted cash (Note 6)	2,277,365	2,207,817
Term deposit (Note 3)	40,000	40,000
Accounts receivable	3,265,933	2,080,918
Prepaid expenses and deposits	237,984	143,645
Inventory	688,373	565,093
Goods and Services Tax receivable	53,057	55,728
	8,658,439	8,101,882
Capital assets (Note 4)	3,348,066	3,329,314
	12,006,505	11,431,196
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 4), (Note 8)	4,706,153	4,527,833
Government remittances payable	61,079	50,086
	4,767,232	4,577,919
Commitments (Note 5)		
Net Assets		
Investment in capital assets	3,348,066	3,329,314
Internally restricted (Note 6)	2,000,000	2,000,000
Non-program reserve (Note 6)	496,080	265,788
Unrestricted	1,395,127	1,258,175
	7,239,273	6,853,277
	12,006,505	11,431,196

Approved on behalf of the Board

signed by "Ryan Abel"

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, 2023

	2023	2022
Revenue		
AEP grant funding	13,169,397	11,200,461
Grants	390,214	217,014
Interest and other income	463,986	316,575
In-kind contributions	126,375	80,050
Station builds	-	247,316
Income from projects	62,641	17,726
	14,212,613	12,079,142
Cost of sales - station builds		
Station build	-	248,024
	14,212,613	11,831,118
Program expenses		
Ambient air monitoring (Schedule 1)	6,813,809	6,023,249
Data management (Schedule 2)	462,114	384,166
Knowledge translation (Schedule 3)	171,789	119,135
Administration (Schedule 4)	1,940,299	1,530,389
Deposition monitoring (Schedule 5)	1,679,156	1,425,991
Traditional knowledge (Schedule 6)	218,423	84,427
Analytical services (Schedule 7)	805,237	-
	12,090,827	9,567,357
Other expenditures		
Amortization	1,192,914	1,700,654
In kind expenses	126,375	80,050
Specific projects	419,379	419,379
	1,738,668	2,200,083
Total expenses	13,829,495	11,767,440
Excess of revenue over expenses before gain (loss) on disposal of capital assets	383,118	63,678
Gain (loss) on disposal of capital assets		
Gain (loss) on disposal of capital assets	2,878	(9,210)
Excess of revenue over expenses	385,996	54,468

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, 2023

	<i>Investment in capital assets</i>	<i>Internally restricted</i>	<i>Non-program reserve</i>	<i>Unrestricted</i>	2023	2022
Net assets, beginning of year	3,329,314	2,000,000	265,788	1,258,175	6,853,277	6,798,809
Excess of revenue over expenses	-	-	-	385,996	385,996	54,468
Transfer of internally restricted net assets (Note 6)	-	-	230,292	(230,292)	-	-
Amortization of capital assets	(1,192,914)	-	-	1,192,914	-	-
Capital assets acquired	1,224,078	-	-	(1,224,078)	-	-
Net book value of capital asset disposals	(12,412)	-	-	12,412	-	-
Net assets, end of year	3,348,066	2,000,000	496,080	1,395,127	7,239,273	6,853,277

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, 2023

	2023	2022
Cash provided by (used for) the following activities		
Operating		
Cash received from contributions (Note 7)	12,748,492	12,389,430
Cash paid for program service expenses (Note 7)	(8,387,668)	(5,898,523)
Cash paid for salaries and benefits	(4,313,446)	(4,203,396)
Interest received	134,314	12,118
	181,692	2,299,629
Investing		
Purchase of capital assets from internal funds	(1,040,388)	(2,502,051)
Proceeds on disposal of capital assets	15,290	45,440
	(1,025,098)	(2,456,611)
Decrease in cash resources	(843,406)	(156,982)
Cash resources, beginning of year	5,216,498	5,373,480
Cash resources, end of year	4,373,092	5,216,498
Cash resources are composed of:		
Cash and cash equivalents	2,095,727	3,008,681
Restricted cash	2,277,365	2,207,817
	4,373,092	5,216,498

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, 2023

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 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 \$409,938 (2022 - \$302,114).

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).

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 assets are also written-down when the value of future economic benefits or service potential associated with the group of assets 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, 2023

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 2.50% per annum and matures February 28, 2024. 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

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Air quality monitoring stations and equipment	15,230,734	13,159,053	2,071,681	2,152,767
Computer equipment	179,939	80,115	99,824	128,569
Database and website	340,333	244,624	95,709	78,554
Leasehold improvements	1,995,590	1,323,175	672,415	534,707
Office equipment	299,340	226,378	72,962	92,911
Site preparation	954,087	618,612	335,475	341,806
	19,000,023	15,651,957	3,348,066	3,329,314

Include in accounts payable and accruals is \$260,806 (2022 - \$77,116) related to capital assets.

5. Commitments

The Association has entered into various lease agreements with estimated minimum annual payments as follows:

2024	967,057
2025	947,288
2026	912,137
2027	846,229
2028	841,071

6. Internally restricted

Internally restricted net assets

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, 2023, the Governance Committee approved the transfer of \$230,292 (2022 - \$37,179) to the non-program reserve.

Wood Buffalo Environmental Association

Notes to the Financial Statements

For the year ended March 31, 2023

7. In-kind contributions and expenditures

In-kind contributions and expenditures include \$126,375 (2022 - \$80,050) 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 \$3,241,280 (2022 - \$3,259,704) 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, 2023, one funder (2022 - two) accounted for 98% (2022 - 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% (2022 - 97%) of the Association's contributions are made by one (2022 - 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 2024 year. A loss of this funding could have a materially adverse impact on the Association's operations.

Wood Buffalo Environmental Association Schedule 1 - Ambient Air Monitoring Expenditures

For the year ended March 31, 2023

	2023	2022
Expenditures		
Audits	29,314	5
Fort Chipewyan expenses - AMS 8	21,110	15,573
GC Calibration and maintenance fees	43,540	59,257
Information technology	94,787	184,229
Inventory expense	324,403	249,879
Lab analysis	1,357,815	995,812
Materials and consumables	197,198	116,411
Occupancy cost - 805 Memorial Drive	756,563	647,594
Odour Monitoring	28,391	10,500
Operational expense (station utilities and insurance)	352,075	299,513
Professional fees - external	346,013	191,521
Professional fees - internal	2,664,321	2,654,338
Reference standards, span & support gases	120,785	136,402
Safety training	53,647	19,810
Shipping	23,058	14,924
Station and site maintenance	115,527	186,851
Training	20,721	15,387
Vehicles	264,541	225,243
	6,813,809	6,023,249

Wood Buffalo Environmental Association
Schedule 2 - Database Management Expenditures

For the year ended March 31, 2023

	2023	2022
Expenditures		
DMS, management, hosting, and operations	462,114	384,166

Wood Buffalo Environmental Association
Schedule 3 - Knowledge Translation Expenditures

For the year ended March 31, 2023

	2023	2022
Expenditures		
Knowledge translation	171,789	119,135

Wood Buffalo Environmental Association
Schedule 4 - Administration Expenditures

For the year ended March 31, 2023

	2023	2022
Expenditures		
Audit & legal	52,376	46,968
Conferences & meetings	40,099	7,953
Information technology	120,528	86,300
Insurance	54,261	58,993
Office equipment lease	11,497	17,304
Office expense	125,658	114,686
Safety & mandatory training	96,517	90,101
Salary, wages and professional fees	1,392,326	1,082,450
Stakeholder involvement	27,846	25,370
Travel	19,191	264
	1,940,299	1,530,389

Wood Buffalo Environmental Association
Schedule 5 - Deposition Monitoring Expenditures

For the year ended March 31, 2023

	2023	2022
Expenditures		
Dry deposition monitoring	369,015	195,540
Forest health monitoring	192,203	284,838
Instrumented MET towers	344,754	87,063
Passive monitoring	119,111	141,614
Program management	628,693	688,166
Remote continuous ozone monitoring	25,380	28,770
	1,679,156	1,425,991

**Wood Buffalo Environmental Association
Schedule 6 - Traditional Knowledge Expenditures**

For the year ended March 31, 2023

	2023	2022
Expenditures		
Traditional knowledge	218,423	84,427

Wood Buffalo Environmental Association
Schedule 7 - Analytical Services Expenditures

For the year ended March 31, 2023

	2023	2022
Expenditures		
Audit & QA/QC	5,270	-
Information technology	2,997	-
Insurance	5,158	-
Inventory expense	2,644	-
Materials and consumables	205,023	-
Professional fees - external	6,535	-
Program management	564,148	-
Gases & cylinders	9,445	-
Safety & mandatory training	358	-
Shipping	3,659	-
	805,237	-
