

ALBERTA EMERALD FOUNDATION
Financial Statements
Year Ended June 30, 2020

ALBERTA EMERALD FOUNDATION

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Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of Alberta Emerald Foundation

Qualified Opinion

We have audited the financial statements of Alberta Emerald Foundation (the Foundation), which comprise the statement of financial position as at June 30, 2020, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2020, 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 Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from fundraising activities and donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising and donation revenues, excess of revenues over expenses, and cash flows from operations for the years ended June 30, 2020 and 2019, current assets as at June 30, 2020 and 2019 and net assets as at July 1 and June 30 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended June 30, 2019 was modified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit 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 relating 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.

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THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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.

RSM Alberta LLP

Edmonton, Alberta
November 18, 2020

Chartered Professional Accountants

ALBERTA EMERALD FOUNDATION

Statement of Financial Position

June 30, 2020

| | 2020 | 2019 |
|---|-------------------|-------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 175,094 | \$ 132,063 |
| Contributions and other amounts receivable | 7,787 | 2,123 |
| Prepaid expenses | 2,381 | 5,820 |
| Goods and services tax recoverable | 1,191 | 2,108 |
| | 186,453 | 142,114 |
| TANGIBLE CAPITAL ASSETS (Note 3) | 80 | 179 |
| ENDOWMENT FUND (Note 4) | 716,318 | 790,887 |
| | \$ 902,851 | \$ 933,180 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 24,427 | \$ 34,706 |
| Deferred contributions (Note 5) | 40,000 | 25,000 |
| | 64,427 | 59,706 |
| CANADIAN EMERGENCY BUSINESS ACCOUNT LOAN (Note 7) | 30,000 | - |
| | 94,427 | 59,706 |
| NET ASSETS | | |
| Unrestricted | 358,344 | 423,295 |
| Endowment fund | 450,000 | 450,000 |
| Invested in tangible capital assets | 80 | 179 |
| | 808,424 | 873,474 |
| | \$ 902,851 | \$ 933,180 |

COVID-19 (Note 11)

ON BEHALF OF THE BOARD

 Chair

 Treasurer

See notes to financial statements

ALBERTA EMERALD FOUNDATION

Statement of Operations

Year Ended June 30, 2020

| | 2020 | 2019 |
|---|--------------------|---------------------|
| REVENUES | | |
| Contributions and donations | \$ 277,118 | \$ 311,785 |
| EXPENSES | | |
| Wages and director's contract | 187,463 | 175,021 |
| Advertising | 91,955 | 132,351 |
| Nominations and selections | 55,431 | 68,830 |
| Production and design | 20,873 | 25,915 |
| Investment fees | 11,241 | 11,563 |
| Professional fees | 10,138 | 9,738 |
| Office | 8,869 | 16,910 |
| Facility rental | 7,092 | 6,165 |
| Sub-contracts | 1,564 | 2,537 |
| Memberships | 300 | 392 |
| Amortization | 99 | 218 |
| Food and beverage | 50 | 13,045 |
| | 395,075 | 462,685 |
| DEFICIENCY OF REVENUES OVER EXPENSES BEFORE OTHER INCOME | (117,957) | (150,900) |
| OTHER INCOME | | |
| Investment income (Note 6) | 26,741 | 43,942 |
| Canadian Emergency Wage Subsidy | 26,143 | - |
| Unrealized gain on investments | 23 | 2,124 |
| | 52,907 | 46,066 |
| DEFICIENCY OF REVENUES OVER EXPENSES | \$ (65,050) | \$ (104,834) |

See notes to financial statements

ALBERTA EMERALD FOUNDATION

Statement of Changes in Net Assets

Year Ended June 30, 2020

| | Unrestricted | Endowment Fund | Invested in Tangible Capital Assets | 2020 | 2019 |
|---|--------------|-------------------|---|-------------------|------------|
| NET ASSETS - BEGINNING OF YEAR | \$ 423,295 | \$ 450,000 | \$ 179 | \$ 873,474 | \$ 978,308 |
| DEFICIENCY OF REVENUES OVER EXPENSES | (64,951) | - | (99) | (65,050) | (104,834) |
| NET ASSETS - END OF YEAR | \$ 358,344 | \$ 450,000 | \$ 80 | \$ 808,424 | \$ 873,474 |

See notes to financial statements

ALBERTA EMERALD FOUNDATION

Statement of Cash Flows

Year Ended June 30, 2020

| | 2020 | 2019 |
|---|-------------------|-------------------|
| CASH PROVIDED BY (USED IN): | | |
| OPERATING ACTIVITIES | | |
| Deficiency of revenues over expenses | \$ (65,050) | \$ (104,834) |
| Items not affecting cash: | | |
| Amortization of tangible capital assets | 99 | 218 |
| Unrealized gain on investments | (23) | (2,124) |
| Income from endowment reinvested | (15,408) | (31,821) |
| Forgivable portion of Canada Emergency Business Account | (10,000) | - |
| | (90,382) | (138,561) |
| Changes in non-cash working capital: | | |
| Contributions and other amounts receivable | (5,664) | 22,510 |
| Prepaid expenses | 3,439 | (63) |
| Goods and services tax recoverable | 917 | 1,272 |
| Accounts payable and accrued liabilities | (10,279) | 17,749 |
| Deferred contributions | 15,000 | 20,000 |
| | 3,413 | 61,468 |
| | (86,969) | (77,093) |
| INVESTING ACTIVITY | | |
| Withdrawal from endowment fund | 90,000 | 25,000 |
| FINANCING ACTIVITY | | |
| Proceeds from Canada Emergency Business Account | 40,000 | - |
| INCREASE (DECREASE) IN CASH | 43,031 | (52,093) |
| Cash - beginning of year | 132,063 | 184,156 |
| CASH - END OF YEAR | \$ 175,094 | \$ 132,063 |

See notes to financial statements

ALBERTA EMERALD FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2020

1. PURPOSE OF THE FOUNDATION

Alberta Emerald Foundation's (the Foundation) mission is to stimulate public awareness of environmental progress in Alberta by celebrating and promoting environmental excellence. The Foundation is a registered charity incorporated in the province of Alberta and is therefore exempt from taxation under the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies observed in the preparation of the financial statements are summarized below.

(a) Cash

Cash consists of an operating bank account and a treasury bill savings account.

(b) Investments

Investments are recorded at fair value. Fair value is determined based on quoted market values for publicly traded equities and bonds. Changes in fair values from one period to the next are included in other income as unrealized gains and losses.

(c) Tangible capital assets

Tangible capital assets is stated at cost less accumulated amortization. Tangible capital assets is amortized over its estimated useful life at the following rate and method:

| | | |
|--------------------|-----|--------------------------|
| Computer equipment | 55% | declining balance method |
|--------------------|-----|--------------------------|

In the year of purchase, amortization on equipment is taken at one half of the normal amount.

On July 1, 2019 the Foundation adopted the new accounting standard ASNPO 4433 - Tangible capital assets held by not-for-profit organizations. This standard is applied on a prospective basis. As a result of the implementation of this new standard, the Foundation has updated their policy as it relates to the impairment of tangible capital assets as follows:

When conditions indicate a tangible capital asset is impaired, the carrying value of the tangible capital asset is written down to the asset's fair value or replacement cost. The write down of the tangible capital assets is recorded as an expense in the statement of operations. A write-down shall not be reversed.

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ALBERTA EMERALD FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Revenue recognition

Alberta Emerald Foundation 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.

Investment income consisting of interest, dividends and realized gains and losses are recognized as revenue when earned.

Government assistance is recognized as other income in the year the related expenses are incurred. When the Foundation qualifies to receive a forgivable loan, it accounts for it in the same manner as government assistance and the forgivable loan is recognized when the Foundation has received the funds and the related expenses have been incurred, and not at the time such loans are forgiven.

(e) Donated goods and services

Goods and services are donated to assist the Foundation in carrying out its various activities. These goods and services are those that the Foundation would have purchased in their normal course of operations. Donated goods are recorded at their fair market value at the time of the donation where the fair value can be determined by management.

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ALBERTA EMERALD FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Financial instruments

Measurement of Financial Instruments

Financial instruments are financial assets or liabilities of the Foundation where, in general, the Foundation has the right to receive cash or another financial asset from another party or the Foundation has the obligation to pay another party cash or other financial assets.

The Foundation initially measures its financial assets and liabilities at fair value.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments, which are measured at fair value.

Financial assets measured at amortized cost include cash and contributions and other amounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and the Canada Emergency Business Account loan.

Impairment

Financial assets measured at cost or amortized cost are tested for impairment, at the end of each year, to determine whether there are indicators that the asset may be impaired. The amount of the write-down, if any, is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in operations.

(g) Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant estimates included in the financial statements pertain to the valuation of contributions and other amounts receivables, useful life of tangible capital assets, deferred contributions and accrual of expenses. Actual results could differ from these estimates.

3. TANGIBLE CAPITAL ASSETS

| | Cost | Accumulated amortization | 2020 Net book value | 2019 Net book value |
|--------------------|----------|-----------------------------|---------------------------|---------------------------|
| Computer equipment | \$ 6,020 | \$ 5,940 | \$ 80 | \$ 179 |

ALBERTA EMERALD FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2020

4. ENDOWMENT FUND

In 2007, the Board of Directors created the Alberta Emerald Foundation Managed Fund ("the Fund"), an endowment fund, to support the setup, operations, and funding commitments of the Foundation (formerly known as Centre for Environmental Excellence). The fund was established by means of a \$450,000 grant from the Government of Alberta to the Foundation.

The Alberta Emerald Foundation Managed Fund is maintained by the Calgary Foundation (TCF). Subject to a management fund agreement, TCF maintains fixed income investments, Canadian equities, US equities and international equities on behalf of the Foundation. The Foundation has access to the capital and the income earned from the investments when providing a specified period of notice to TCF dependant upon the amount reinvested. Any income earned on the fund is unrestricted. Per the agreement, the fund is required to be invested in a manner that sustains the long term inflation adjusted value of the fund. During the year the Foundation has withdrawn \$90,000 (2019 - \$25,000).

5. DEFERRED CONTRIBUTIONS

Deferred contributions represents funds received from donors and sponsors for specific events. They are recognized as revenue as related expenditures are incurred.

| | 2020 | 2019 |
|--|-----------|-----------|
| Deferred contributions, beginning of year | \$ 25,000 | \$ 5,000 |
| Less: amount recognized as revenue in the year | (277,118) | (311,785) |
| Contributions received during the year | 292,118 | 331,785 |
| | \$ 40,000 | \$ 25,000 |

6. INVESTMENT INCOME

| | 2020 | 2019 |
|--------------------------------|-----------|-----------|
| Interest | \$ 3,805 | \$ 6,588 |
| Dividends | 15,146 | 11,679 |
| Realized gains | 7,790 | 25,675 |
| Total investment income | \$ 26,741 | \$ 43,942 |
| Investment income consists of: | | |
| Income reinvested | \$ 15,408 | \$ 31,821 |
| Income received | 11,333 | 12,121 |
| Total | \$ 26,741 | \$ 43,942 |

ALBERTA EMERALD FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2020

7. CANADA EMERGENCY BUSINESS ACCOUNT LOAN

During the year the Foundation received the Canada Emergency Business Account (CEBA) loan subsidy of \$40,000. CEBA is intended to support businesses by providing financing for their expenses that cannot be avoided or deferred. CEBA is an interest free, government guaranteed loan with a \$10,000 forgivable portion if the remaining balance is repaid by December 31, 2022. If unpaid at December 31, 2022, the loan will be converted to a \$40,000 three year term loan at an interest rate of 5%.

| | 2020 | 2019 |
|---------------------------------|-----------|------|
| CEBA loan | \$ 40,000 | \$ - |
| Forgivable portion of CEBA loan | (10,000) | - |
| | \$ 30,000 | \$ - |

8. PERMANENT ENDOWMENTS

By way of external and internal funded contributions, the Board of Directors established two endowment funds, the Alberta Emerald Foundation Fund (AEFF) and the Alberta Emerald Foundation Endowment Fund (AEFEF). The intent and purpose of these two endowment funds was to celebrate and advance excellence in environmental matters and to provide financial support to the operations of the Foundation. The AEFF is administered by the Edmonton Community Foundation (ECF). The AEFEF is administered by The Calgary Foundation (TCF).

Under the terms of the agreements with the ECF and TCF, the endowments are characterized as permanent endowments. Accordingly, the endowment assets are not recognized in the financial statements of the Foundation. The AEFF and AEFEF are pooled with the assets of the ECF and TCF and may consist of income trust, royalty trust, and real estate investment trust bonds, domestic and foreign equities, and mutual funds. The funds are not to be invested in derivative instruments.

As of June 30, 2020, total contributions to the AEFF amounted to \$460,000 (2019 - \$460,000).

As of June 30, 2020, total contributions to the AEFEF amounted to \$10,000 (2019 - \$10,000).

During the fiscal year, the Board of Directors may, at its discretion, internally restrict any excess of revenues over expenses from operations to fund the permanent endowments.

The permanent endowments shall continue indefinitely and shall be on the basis of perpetual life. Under the terms of the agreements with ECF and TCF, the Foundation is provided with grants from the ECF and TCF based on the net income and market value of each fund, which is to be distributed at the discretion of the ECF and TCF. During the year, grant revenues of \$25,192 (2019 - \$24,717) were recognized in the Statement of Operations.

9. RELATED PARTY TRANSACTIONS

Donations from companies related to the members of the Board of Directors comprise 75.88% (2019 - 42.11%) of the Foundation's total contributions and donations revenue for the year.

ALBERTA EMERALD FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2020

10. RISK MANAGEMENT

The Foundation is exposed to various risks through its financial instruments. The following analysis provides information about the Foundation's risk exposure and concentration as of June 30, 2020.

(a) Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting its financial obligations as they become due. In order to manage this risk, the Foundation forecasts its requirements to determine whether sufficient funds will be available. The Foundation expects to generate sufficient funds through contributions and donations.

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Foundation is exposed to interest rate risk primarily through its fixed income investments in the custody of the Calgary Foundation and the Edmonton Community Foundation (Notes 4 and 8).

11. COVID-19 Pandemic

On March 11, 2020, the World Health Organization assessed the coronavirus outbreak (COVID-19) as a pandemic. In Canada, the Government of Alberta declared a provincial state of public health emergency as per the Province of Alberta's Public Health Act on March 17, 2020 with respect to COVID-19.

As a result of the pandemic the Foundation has obtained the Canada Emergency Business Account (Note 7) and the Canada Emergency Wage Subsidy to assist with sustaining operations while adhering to safety measures to prevent the spread of COVID-19.

As of the date of these financial statements, the extent to which COVID-19 impacts the Foundation's results will depend on future developments, which are highly uncertain and cannot be predicted and dependent upon new information which may emerge concerning the severity of COVID-19 and actions taken to contain this or its impact, among others.

12. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.