
Sustainability Brant Community Energy Co-operative Inc.

FINANCIAL STATEMENTS

Years ended October 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

*To the Members
Sustainability Brant Community Energy Co-operative Inc.*

Report on the Audit of the Financial Statements

We have audited the financial statement of Sustainability Brant Community Energy Co-operative Inc., which comprise the statement of financial position as at October 31, 2019, and the statements of revenues and disbursements, changes in net assets and statement of 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 Sustainability Brant Community Energy Co-operative Inc. as at October 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the *Auditor's Responsibility for the Audit of the Financial Statements* section of our report. We are independent of Sustainability Brant Community Energy Co-operative Inc. 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 that 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 these financial statements in accordance with Canadian accounting standards for private enterprises, 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 Sustainability Brant Community Energy Co-operative Inc. 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

Sustainability Brant Community Energy Co-operative Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Sustainability Brant Community Energy Co-operative Inc. financial reporting process.

Auditors' Responsibility 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 it 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 on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 from fraud is higher than one resulting from error, as a 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 Sustainability Brant Community Energy Co-operative Inc. 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 managements 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 Sustainability Brant Community Energy Co-operative Inc.'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 Sustainability Brant Community Energy Co-operative Inc. 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 during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Woodstock, Ontario
Wednesday, February 10, 2021

Symons, Wearn & Smith LLP
CPA, CA, Licensed Public Accountants

SUSTAINABILITY BRANT COMMUNITY ENERGY CO-OPERATIVE INC.

STATEMENT OF FINANCIAL POSITION

<i>As at October 31</i>	2019	2018
<i>ASSETS</i>		
CURRENT		
Cash	\$ 223,945	\$ 167,911
Accounts receivable	17,675	15,200
HST recoverable	578	109
Prepaid expenses	841	717
	<u>243,039</u>	<u>183,937</u>
FIXED [Note 2]	<u>473,238</u>	<u>503,044</u>
	<u>\$ 716,277</u>	<u>\$ 686,981</u>
<i>LIABILITIES AND NET ASSETS</i>		
CURRENT		
Accounts payable and accrued liabilities	\$ <u>6,452</u>	\$ <u>5,378</u>
LONG TERM [Note 3]	216,000	216,000
FUTURE INCOME TAXES	<u>50,830</u>	<u>43,335</u>
	273,282	264,713
MEMBERS' EQUITY		
88 Membership shares [Note 5]	1,760	1,760
727 Class A preference shares, redeemable at \$500 each [Note 5]	363,500	363,500
Retained earnings	<u>77,735</u>	<u>57,008</u>
	<u>442,995</u>	<u>422,268</u>
	<u>\$ 716,277</u>	<u>\$ 686,981</u>

APPROVED:

**SUSTAINABILITY BRANT COMMUNITY ENERGY CO-OPERATIVE
INC.**

STATEMENT OF CHANGES IN NET ASSETS

<i>For the year ended October 31</i>	2019	2018
Balance, beginning of year	\$ 57,008	\$ 50,993
Excess of revenues over disbursements for the year	40,720	28,758
Dividends paid	<u>(19,993)</u>	<u>(22,743)</u>
Balance, end of year	<u>\$ 77,735</u>	<u>\$ 57,008</u>

SUSTAINABILITY BRANT COMMUNITY ENERGY CO-OPERATIVE INC.

STATEMENT OF REVENUES AND DISBURSEMENTS

<i>For the year ended October 31</i>	2019	2018
JOINT VENTURE REVENUE	\$ <u>98,344</u>	\$ <u>98,957</u>
DISBURSEMENTS		
Advertising and promotion	944	711
Bank charges	129	144
Depreciation	29,807	29,807
Insurance	3,238	3,265
Interest - long term	10,800	10,800
Office supplies	109	226
Professional fees	3,950	3,500
Salaries and wages	<u>1,989</u>	<u>2,122</u>
	<u>50,966</u>	<u>50,575</u>
Income from operations	47,378	48,382
OTHER INCOME	<u>837</u>	<u>278</u>
Income before patronage	48,215	48,660
Patronage declared	<u>-</u>	<u>-</u>
Income before income taxes	<u>48,215</u>	<u>48,660</u>
Provision for income taxes		
Current	-	-
Future	<u>7,495</u>	<u>19,902</u>
	<u>7,495</u>	<u>19,902</u>
EXCESS OF REVENUES OVER DISBURSEMENTS for the year	\$ <u><u>40,720</u></u>	\$ <u><u>28,758</u></u>

SUSTAINABILITY BRANT COMMUNITY ENERGY CO-OPERATIVE INC.

STATEMENT OF CASH FLOWS

<i>For the year ended October 31</i>	2019	2018
OPERATING ACTIVITIES		
Cash from operations:		
Excess of revenues over disbursements for the year	\$ 40,720	\$ 28,758
Depreciation	29,807	29,807
Future income taxes	<u>7,495</u>	<u>19,902</u>
	78,022	78,467
Increase in prepaid expenses	(124)	(97)
(Increase) Decrease in accounts receivable	(2,944)	46,471
Increase (Decrease) in accounts payable and accrued liabilities	<u>1,073</u>	<u>(56)</u>
	<u>76,027</u>	<u>124,785</u>
FINANCING ACTIVITIES		
Dividends paid	(19,993)	(22,743)
Redemption of share capital	<u>-</u>	<u>(50,000)</u>
	<u>(19,993)</u>	<u>(72,743)</u>
INCREASE IN CASH	56,034	52,042
CASH - BEGINNING OF YEAR	<u>167,911</u>	<u>115,869</u>
CASH - END OF YEAR	<u>\$ 223,945</u>	<u>\$ 167,911</u>
Supplementary Cash Flow Information:		
Interest paid	\$ 10,800	\$ 10,800
Income taxes paid	-	-

SUSTAINABILITY BRANT COMMUNITY ENERGY CO-OPERATIVE INC.

NOTES TO FINANCIAL STATEMENTS

October 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation:

The accounting policies of Sustainability Brant Community Energy Co-operative Inc. ("the Co-operative") are in accordance with Canadian accounting standards for private enterprises.

Nature of operations:

The Co-operative is incorporated under the laws of Ontario was incorporated as a for profit corporation under subsection 6(1) of the Ontario Co-operative Corporations Act on November 20, 2012. The Co-operative is engaged in the business of owning, developing and operating community renewable energy projects primarily in and around the County of Brant, Ontario.

Cash and Cash Equivalents:

Cash and cash equivalents consist of cash on hand and bank deposits.

Fixed Assets:

Fixed assets are stated at cost less accumulated depreciation. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the asset are capitalized. Depreciation of the solar equipment is based on the estimated useful life of the assets and is calculated on a straight-line basis over 20 years.

Income Taxes:

The Co-operative uses the future income taxes method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year the enactment or substantive enactment occurs.

Covid-19:

The Covid 19 pandemic has developed rapidly in 2020 and the beginning of 2021. Measures taken by various governments to contain the virus has affected economic activity. We have taken a number of measures to monitor and mitigate the effects of Covid-10 such as safety and health measures for our board and members.

SUSTAINABILITY BRANT COMMUNITY ENERGY CO-OPERATIVE INC.

NOTES TO FINANCIAL STATEMENTS

October 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint Venture Agreement:

The Co-operative entered into a joint venture agreement on January 9, 2014 with the Corporation of the County of Brant. The Co-operative's portion of the arrangement is a 30% share. The parties formed this joint venture for the purposes of development, owning and operating solar facilities to sell clean electricity to the electrical grid under the Ontario Power Authority's Feed-in-tariff program. The Co-operative's proportionate share of the assets, liabilities, revenues and expenses of the joint venture are incorporated in these financial statements. The joint venture expires January 2034.

Revenue Recognition:

The Co-operative recognizes revenue when it is earned and allocated by the Joint Venture each month. The revenue recognition considers whether collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the selling price is fixed or determinable.

Financial Instruments:

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

Measurement Uncertainty:

The Co-operative's preparation of financial statements in conformity with the Canadian accounting standards for private enterprises 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. In particular, the recoverable value of property and equipment and the amortization related to these items are based on estimates of future revenues and expenses. These estimates are subject to measurement uncertainty and the impact on the financial statements of current and future periods could be material.

2. FIXED ASSETS

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2019 Net</u>	<u>2018 Net</u>
Solar equipment	\$ 596,140	\$ 122,902	\$ 473,238	\$ 503,044

The solar equipment is being depreciated on a straight line basis over 20 years.

SUSTAINABILITY BRANT COMMUNITY ENERGY CO-OPERATIVE INC.

NOTES TO FINANCIAL STATEMENTS

October 31, 2019

3. LONG TERM DEBT

	<u>2019</u>	<u>2018</u>
Bonds, unsecured, interest paid annually at 5% , issued September 1, 2016, due September 2021	\$ 209,500	\$ 209,500
Bonds, unsecured, interest paid annually at 5%, issued March 1, 2017 due March 1, 2022	<u>6,500</u>	<u>6,500</u>
Cash payments required within 12 months	<u>-</u>	<u>-</u>
	<u>\$ 216,000</u>	<u>\$ 216,000</u>

Each subscriber of the bonds had a minimum required investment of \$1,000 and a maximum of \$25,000. The bonds are non-transferable. The scheduled repayments on the long term debt are as follows:

2021	209,500
2022	6,500

4. FINANCIAL INSTRUMENTS

The Co-operative has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments includes credit risk and liquidity risk.

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The co-operative is exposed to credit risk resulting from its investment in the joint venture. The joint venture projects must be profitable in order for the co-operative to have cash to pay interest on its bonds and dividends on the preference shares and pay its creditors.

(b) Liquidity risk:

Liquidity risk is the risk that the co-operative will encounter difficulty in meeting its obligations associated with financial liabilities. The co-operative is exposed to liquidity risk arising primarily from its dependency on the receipt of funds from the joint venture in order to discharge its long-term debt obligations.

(c) Interest rate risk:

The Co-operative's long term debt has a fixed interest rate. Therefore any changes in the bank's prime lending rate does not cause fluctuations in interest payments and cash flows. The Co-operative does not use derivative financial instruments.

SUSTAINABILITY BRANT COMMUNITY ENERGY CO-OPERATIVE INC.

NOTES TO FINANCIAL STATEMENTS

October 31, 2019

5. SHARE CAPITAL

Authorized shares:

2,500 Membership shares with a par value of \$20 each; voting

20,000 Class A Preference shares with a par value of \$500 each; non-voting, non-cumulative and non-redeemable

Issued and outstanding shares:

88 Membership shares

727 Class A preference shares

6. COMPARATIVE FIGURES

The previous year's financial statements were prepared by another Chartered Professional Accountant under an Audit engagement. We have not attempted to verify the accuracy or completeness of this information and certain of the prior year's figures have been reclassified to conform with the current year's presentation. The changes do not affect prior year earnings.

7. ECONOMIC DEPENDENCE

The Co-operative received \$98,344 (2018 - \$98,957) from its proportionate share of the net proceeds from electricity generation by the joint venture projects, representing nearly 100% of its total revenues.

Due to the volume of the business transactions, the difficulty to replace these revenues from another source and the fact that the viability of the co-operative is dependent on the continuation of these activities, the co-operative is economically dependent on the joint venture projects for its on-going operations.

8. SUBSEQUENT EVENT

Subsequent to the year end, the board of directors declared dividends on the Class A preference shares of 5.5% per annum, totaling \$19,993. The dividends were paid December 18, 2019.

SUSTAINABILITY BRANT COMMUNITY ENERGY CO-OPERATIVE INC.

NOTES TO FINANCIAL STATEMENTS

October 31, 2019

9. INCOME TAXES

At October 31, 2019, the Company had losses available for carry forward for income tax purposes of approximately \$17,110 which have not been reflected in these financial statements, but which may be applied against future years' taxable income. The potential tax saving in future years will be approximately \$5,390 if these losses are utilized. These losses will expire if not utilized by the end of the following fiscal years:

2034	\$	15,320
2036		40
Thereafter		1,750

10. RELATED PARTY TRANSACTIONS

During the year, the Cooperative entered into the following transactions with related parties. These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

- (i). The Co-operative paid interest of \$475 (2018 - \$475) to directors on bonds held by them of \$9,500 (2018 - \$9500)
- (ii). During the year, the Co-operative paid preference share dividends totalling \$577 (2018- \$577) to directors.