

# Financial Statements

**MVZEIF**

December 31, 2022

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## Independent Auditor's Report

To the Members of MVZEIF

### Opinion

We have audited the financial statements of MVZEIF ("the Organization"), which comprise the statement of financial position as at December 31, 2022 and the statements of operations, changes in fund balances 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 MVZEIF as at December 31, 2022 and the results of its operations, its changes in fund balances 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 Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matter

The financial statements of the Organization for the year ended December 31, 2021 are unaudited.

### 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 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 these financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

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## 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 Organization'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 Organization'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 Organization 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.

*Stolz CPA Inc.*

Chartered Professional Accountants

April 20, 2023  
Abbotsford, British Columbia

# MVZEIF

## Statement of Financial Position

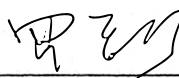
December 31, 2022

	General Fund	Endowment Fund	2022	2021 (Unaudited)
<b>Assets</b>				
<b>Current assets</b>				
Cash	\$ 621,865	\$ -	\$ 621,865	\$ 83,292
Short-term investments (Note 3)	867,281	635,449	1,502,730	-
Grants and contributions receivable	289,760	-	289,760	-
Prepaid expenses and deposits	6,656	-	6,656	-
	1,785,562	635,449	2,421,011	83,292
<b>Portfolio investments (Note 4)</b>	-	20,143,022	20,143,022	-
	\$ 1,785,562	\$ 20,778,471	\$22,564,033	\$ 83,292
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	\$ 93,256	\$ -	\$ 93,256	\$ 6,693
Goods and services tax payable	18,071	-	18,071	-
	111,327	-	111,327	6,693
<b>Fund balances</b>				
Unrestricted	-	-	-	76,599
Externally restricted	1,674,235	20,778,471	22,452,706	-
	1,674,235	20,778,471	22,452,706	76,599
	\$ 1,785,562	\$ 20,778,471	\$22,564,033	\$ 83,292

Approved by the Board



Director



Director

The accompanying notes are an integral part of these financial statements

# MVZEIF

## Statement of Operations

Year ended December 31, 2022

	General Fund	Endowment Fund	2022	2021 (Unaudited)
<b>Revenues</b>				
Grants and contributions (Note 5)	\$ 1,611,009	\$ 21,298,833	<b>\$22,909,842</b>	\$ -
Service agreements (Note 6)	673,172	-	<b>673,172</b>	122,320
Investment income	8,367	334,970	<b>343,337</b>	-
Other revenues	7,175	-	<b>7,175</b>	-
	2,299,723	21,633,803	<b>23,933,526</b>	122,320
<b>Expenses</b>				
<b>Program expenses</b>				
Conferences	1,472	-	<b>1,472</b>	-
Events	14,223	-	<b>14,223</b>	-
Grants issued	58,000	-	<b>58,000</b>	-
Information technology	41,752	-	<b>41,752</b>	1,365
Marketing and networking	2,154	-	<b>2,154</b>	-
Office and other	14,935	-	<b>14,935</b>	-
Professional development	29,727	-	<b>29,727</b>	-
Professional services	19,481	-	<b>19,481</b>	-
Salaries, wages and benefits	753,095	-	<b>753,095</b>	-
Services outsourced	42,873	-	<b>42,873</b>	-
Travel, transportation and meals	9,380	-	<b>9,380</b>	-
	987,092	-	<b>987,092</b>	1,365
<b>Administrative expenses</b>				
Office and other	4,300	-	<b>4,300</b>	7,392
Professional services	63,596	26,848	<b>90,444</b>	5,594
Salaries, wages and benefits	62,998	-	<b>62,998</b>	28,524
Travel, transportation and meals	10,307	-	<b>10,307</b>	2,846
	141,201	26,848	<b>168,049</b>	44,356
<b>Total expenses</b>	1,128,293	26,848	<b>1,155,141</b>	45,721
<b>Excess of revenues over expenses</b>	\$ 1,171,430	\$ 21,606,955	<b>\$22,778,385</b>	\$ 76,599

The accompanying notes are an integral part of these financial statements

# MVZEIF

## Statement of Changes in Fund Balances

Year ended December 31, 2022

	<i>General Fund</i>	<i>Endowment Fund</i>	<b>2022</b>	<i>2021 (Unaudited)</i>
<b>Fund balances, beginning of year</b>	\$ 76,599	\$ -	<b>\$ 76,599</b>	\$ -
<b>Excess of revenue over expenses</b>	1,171,430	21,606,955	<b>22,778,385</b>	76,599
<b>Change in fair market value of portfolio investments (Note 4)</b>	-	(402,278)	<b>(402,278)</b>	-
<b>Interfund transfers (Note 2a)</b>	426,206	(426,206)	-	-
<b>Fund balances, end of year</b>	\$ 1,674,235	\$ 20,778,471	<b>\$22,452,706</b>	\$ 76,599

The accompanying notes are an integral part of these financial statements

# MVZEIF

## Statement of Cash Flows

Year ended December 31, 2022

	General Fund	Endowment Fund	2022	2021 (Unaudited)
<b>Cash provided by (used for) the following activities</b>				
<b>Operating activities</b>				
Excess of revenue over expenses	\$ 1,171,430	\$ 21,606,955	<b>\$22,778,385</b>	\$ 76,599
Non-cash items				
Change in fair market value of portfolio investments	-	(402,278)	<b>(402,278)</b>	-
	1,171,430	21,204,677	<b>22,376,107</b>	76,599
Changes in working capital accounts				
Grants and contributions receivable	(289,760)	-	<b>(289,760)</b>	-
Accounts payable and accrued liabilities	86,564	-	<b>86,564</b>	6,693
Goods and services tax payable	18,070	-	<b>18,070</b>	-
Prepaid expenses	(6,656)	-	<b>(6,656)</b>	-
	979,648	21,204,677	<b>22,184,325</b>	83,292
<b>Investing activities</b>				
Change in short-term investments	(867,281)	(635,449)	<b>(1,502,730)</b>	-
Change in portfolio investments	-	(20,143,022)	<b>(20,143,022)</b>	-
	(867,281)	(20,778,471)	<b>(21,645,752)</b>	-
<b>Increase in cash</b>	112,367	426,206	<b>538,573</b>	83,292
<b>Interfund transfers</b>	426,206	(426,206)	-	-
<b>Cash, beginning of year</b>	83,292	-	<b>83,292</b>	-
<b>Cash, end of year</b>	\$ 621,865	\$ -	<b>\$ 621,865</b>	\$ 83,292

The accompanying notes are an integral part of these financial statements



# MVZEIF

## Notes to the Financial Statements

Year ended December 31, 2022

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### 1. Purpose of the organization

MVZEIF ("the Organization"), also known as Metro Vancouver Zero Emissions Innovation Centre, was incorporated under the laws of the Canada Not-for-profit Corporations Act on April 20, 2021 and was registered as an extraprovincial society in British Columbia on July 29, 2021. The Organization is an initiative of Low Carbon Cities Canada ("LC3") and its purpose is to help the Metro Vancouver region and British Columbia reach their full carbon emissions reduction potential by investing in projects and programs to help meet Canada's 2030 and 2050 carbon reduction targets.

The Organization is a not-for-profit organization and as of January 1, 2023 is a registered charity for the purposes of the Income Tax Act and as such is exempt from income taxes. The Organization holds endowment funds in trust on behalf of the Federation of Canadian Municipalities ("FCM") as trustee of the Green Municipal Fund, which are to be maintained in perpetuity.

### 2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) using the restricted fund method, and include the following significant accounting policies:

#### **a) Fund accounting**

The General Fund accounts for the Organization's operational activities for program delivery and general administrative activities. Unrestricted contributions and restricted contributions to be used for operations are reported in this fund. Included in the General Fund is the Stabilization Fund, an internally-restricted fund established to fund operating expenses in future years where the annual yield of investment income earned in the Endowment Fund is lower than projected.

The Endowment Fund accounts for the endowment received from FCM in the amount of \$21,298,833, for the purpose of supporting the LC3 program. Investment income earned on the endowment and available for expenditure is reported in the Endowment Fund and transferred to the General Fund once expenditures are incurred.

#### **b) Revenue recognition**

##### *Grants and contributions*

Both unrestricted and externally restricted grants and contributions are recognized in the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

##### *Other revenues*

Fees under service agreements revenue is recognized in the year in which the services are provided. Sponsorships and event revenues are recognized as revenue when the sponsored event is held. Investment income is recognized as revenue on an accrual basis when it is earned.

# MVZEIF

## Notes to the Financial Statements

Year ended December 31, 2022

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

#### **c) Contributed services**

The Organization utilizes facility space along with internet and photocopying services from Simon Fraser University at no charge. In addition, through contributions from BC Hydro to University of British Columbia ("UBC"), the Organization received services from a UBC graduate student at no charge. The value of these contributed services are not recognized in the financial statements.

#### **d) Use of estimates**

Management reviews the carrying amount of items in the financial statements at each statement of financial position date to assess the need for revision to, or any possibility of, impairment. These estimates and assumptions are reviewed periodically and adjustments are made in the statement of operations in the year they become known. Accounts payable and accrued liabilities and fair market value of portfolio investments are subject to significant management estimates.

#### **e) Cash and cash equivalents**

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

#### **f) Financial instruments**

The Organization recognizes its financial assets and financial liabilities initially at their fair value. At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. Portfolio investments are subsequently measured at fair value. All other financial instruments are subsequently measured at amortized cost.

For financial assets measured at cost or amortized cost, the Organization regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Organization determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

### 3. Short-term investments

Short-term investments consist of short-term guaranteed investment certificates that mature within the next fiscal year. The maturity dates of these investments range from December 19, 2023 to December 23, 2023 with interest rates ranging from 4.15% to 4.25%.

# MVZEIF

## Notes to the Financial Statements

Year ended December 31, 2022

### 4. Portfolio investments

The Organization holds portfolio investments with Northwest & Ethical Investments and covers the endowment balance in combination with its short-term investments. Portfolio investments are recorded at fair market value and consist of units in the following funds:

	2022	2021
Clean Infrastructure Fund	\$ 3,835,386	\$ -
Global Sustainable Balanced Fund	4,286,639	-
Environmental Leaders Fund	3,372,609	-
Global Impact Bond Fund	8,648,388	-
	<b>\$20,143,022</b>	<b>\$ -</b>

The Organization's Investment Policy Statement restricts investments in coal and oil and gas extraction and transportation.

Unrealized gains or losses are measured between carrying value and fair market value as at the reporting date and are reported on the statement of changes in fund balances.

As it is management's intent to hold these investments for longer than one year, they have been classified as long-term.

### 5. Grants and contributions

The Organization entered into a funding agreement with FCM effective December 8, 2021 to receive a total of \$21,700,858 consisting of \$19,000,000 in endowment contributions and \$2,700,858 in operating contributions. The reconciliation of actual contributions received in January 2022 for \$21,298,833 is as follows:

	2022
Contributions per FCM agreement	\$21,700,858
2021 drawings from operating grant	(122,320)
Operating grant allocated to SFU prior to establishment of the Organization	(279,705)
	<b>\$21,298,833</b>

Contributions in the General Fund primarily consist of restricted contributions from BC Hydro, Province of BC, Metro Vancouver Regional District, McConnell Foundation and Vancouver City Savings Credit Union.

# MVZEIF

## Notes to the Financial Statements

Year ended December 31, 2022

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### 6. Service agreements

Included in service agreements revenue are fees charged to City of Vancouver and Simon Fraser University to support and deliver greenhouse gas emissions reduction programs.

### 7. Financial instruments

As part of its operations, the Organization carries a number of financial instruments which exposes it to a variety of risks including the following:

#### *Liquidity risk*

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization is exposed to liquidity risk with respect to the financial liabilities recognized in the statement of financial position. The risk is mitigated by holding resources in its bank accounts and short-term investments that are highly liquid.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value (price risk) or future cash flows (cash flow risk) of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to price risk with respect to short-term investments with fixed interest rates. The risk is mitigated by investment in term deposits with maturity dates of not longer than one year.

#### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Organization is exposed to currency risk and its effects on the fair market value of its portfolio investments that are denominated in foreign currencies. This risk is mitigated by maintaining a diversified portfolio with a mix of Canadian, U.S., European and other international holdings.

#### *Market and other price risk*

Market and other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether caused by factors specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Organization's investment portfolio is comprised of a mix of pooled investments in fixed income and equity market securities. A decline in equity markets will result in a decrease to the fair values of some of the Organization's marketable securities. This risk is mitigated by maintaining a diversified portfolio with a mix of bond and equity funds in accordance with the Organization's investment policy and is professionally managed.

### 8. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

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