

# Financial Statements

**MVZEIF**

December 31, 2023

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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, 2023 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, 2023 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.

### 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.

### 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.

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## **Auditor's Responsibilities for the Audit of the Financial Statements** *(continued from previous page)*

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

May 24, 2024  
Abbotsford, British Columbia

# MVZEIF

## Statement of Financial Position

December 31, 2023

	General Fund	Restricted Fund	Endowment Fund	2023	2022 (Restated - Note 8)
<b>Assets</b>					
<b>Current assets</b>					
Cash	\$ 57,980	\$ 427,618	\$ 221,348	\$ <b>706,946</b>	\$ 621,865
Short-term investments (Note 3)	-	430,400	662,320	<b>1,092,720</b>	1,502,730
Accounts receivable	9,718	732,554	-	<b>742,272</b>	289,760
Goods and services tax receivable	-	16,326	-	<b>16,326</b>	-
Current portion of portfolio investments (Note 4)	-	-	1,000,000	<b>1,000,000</b>	-
Prepaid expenses and deposits	-	6,927	-	<b>6,927</b>	6,656
	67,698	1,613,825	1,883,668	<b>3,565,191</b>	2,421,011
<b>Portfolio investments (Note 4)</b>	-	-	20,225,979	<b>20,225,979</b>	20,143,022
	\$ 67,698	\$ 1,613,825	\$ 22,109,647	\$ <b>23,791,170</b>	\$ 22,564,033

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The accompanying notes are an integral part of these financial statements

# MVZEIF

## Statement of Financial Position

December 31, 2023

	General Fund	Restricted Fund	Endowment Fund	2023	2022 (Restated - Note 8)
(continued from previous page)					
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	\$ -	\$ 136,379	\$ -	\$ 136,379	\$ 93,256
Goods and services tax payable	-	-	-	-	18,071
	-	136,379	-	136,379	111,327
<b>Fund balances</b>					
Externally restricted	-	1,469,846	22,109,647	23,579,493	22,444,761
Internally restricted	-	7,600	-	7,600	-
Unrestricted	67,698	-	-	67,698	7,945
	67,698	1,477,446	22,109,647	23,654,791	22,452,706
	\$ 67,698	\$ 1,613,825	\$ 22,109,647	\$ 23,791,170	\$ 22,564,033

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, 2023

	General Fund	Restricted Fund	Endowment Fund	2023	2022
<b>Revenues</b>					
Grants and contributions (Note 5)	\$ -	\$ 1,053,499	\$ -	<b>\$ 1,053,499</b>	\$ 22,912,342
Service agreements (Note 6)	12,678	635,490	-	<b>648,168</b>	670,672
Investment income	46,175	883	523,149	<b>570,207</b>	343,337
Other revenues	900	49,570	-	<b>50,470</b>	7,175
	59,753	1,739,442	523,149	<b>2,322,344</b>	23,933,526
<b>Expenses</b>					
<b>Program expenses</b>					
Conferences	-	3,983	-	<b>3,983</b>	1,472
Events	-	68,456	-	<b>68,456</b>	14,223
Grants and intermediaries	-	297,295	-	<b>297,295</b>	91,748
Information technology	-	49,430	-	<b>49,430</b>	41,752
Marketing and networking	-	8,599	-	<b>8,599</b>	2,154
Office and other	-	12,498	-	<b>12,498</b>	13,935
Professional development	-	6,731	-	<b>6,731</b>	29,727
Professional services	-	32,741	-	<b>32,741</b>	19,481
Salaries, wages and benefits	-	1,272,575	-	<b>1,272,575</b>	753,095
Services outsourced	-	21,950	-	<b>21,950</b>	10,125
Sponsorships	-	24,750	-	<b>24,750</b>	-
Travel, transportation and meals	-	22,656	-	<b>22,656</b>	9,380
	-	1,821,664	-	<b>1,821,664</b>	987,092

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The accompanying notes are an integral part of these financial statements

# MVZEIF

## Statement of Operations

Year ended December 31, 2023

	General Fund	Restricted Fund	Endowment Fund	2023	2022
<i>(continued from previous page)</i>					
<b>Expenses</b> <i>(continued from previous page)</i>					
<b>Administrative expenses</b>					
Office and other	-	11,602	-	<b>11,602</b>	4,300
Professional services	-	33,654	107,213	<b>140,867</b>	90,444
Salaries, wages and benefits	-	55,543	-	<b>55,543</b>	62,998
Travel, transportation and meals	-	5,823	-	<b>5,823</b>	10,307
	-	106,622	107,213	<b>213,835</b>	168,049
<b>Total expenses</b>	-	1,928,286	107,213	<b>2,035,499</b>	1,155,141
<b>Excess (deficiency) of revenues over expenses</b>	\$ 59,753	\$ (188,844)	\$ 415,936	<b>\$ 286,845</b>	\$ 22,778,385

The accompanying notes are an integral part of these financial statements



# MVZEIF

## Statement of Changes in Fund Balances

Year ended December 31, 2023

	<i>General Fund</i>	<i>Restricted Fund</i>	<i>Endowment Fund</i>	<b>2023</b>	<i>2022</i>
<b>Fund balances, beginning of year</b>	\$ 7,945	\$ 1,666,290	\$ 20,778,471	<b>\$ 22,452,706</b>	\$ 76,599
<b>Excess (deficiency) of revenue over expenses</b>	59,753	(188,844)	415,936	<b>286,845</b>	22,778,385
<b>Change in fair market value of portfolio investments</b> <i>(Note 4)</i>	-	-	915,240	<b>915,240</b>	(402,278)
<b>Fund balances, end of year</b>	\$ 67,698	\$ 1,477,446	\$ 22,109,647	<b>\$ 23,654,791</b>	\$ 22,452,706

The accompanying notes are an integral part of these financial statements

# MVZEIF

## Statement of Cash Flows

Year ended December 31, 2023

	General Fund	Restricted Fund	Endowment Fund	2023	2022
<b>Cash provided by (used for) the following activities</b>					
<b>Operating activities</b>					
Excess (deficiency) of revenue over expenses	\$ 59,753	\$ (188,844)	\$ 415,936	\$ 286,845	\$ 22,778,385
Changes in working capital accounts					
Accounts receivable	(9,718)	(442,794)	-	(452,512)	(289,760)
Accounts payable and accrued liabilities	-	43,122	-	43,122	86,564
Goods and services tax	-	(34,396)	-	(34,396)	18,070
Prepaid expenses and deposits	-	(271)	-	(271)	(6,656)
	50,035	(623,183)	415,936	(157,212)	22,586,603
<b>Investing activities</b>					
Purchase of short-term investments	-	(452,355)	(26,871)	(479,226)	(1,502,730)
Withdrawal of short-term investments	-	889,236	-	889,236	-
Purchase of portfolio investments	-	-	(275,665)	(497,014)	(20,545,300)
Proceeds on disposition of portfolio investments	-	-	107,948	329,297	-
	-	436,881	(194,588)	242,293	(22,048,030)
<b>Increase (decrease) in cash</b>	50,035	(186,302)	221,348	85,081	538,573
<b>Cash, beginning of year</b>	7,945	613,920	-	621,865	83,292
<b>Cash, end of year</b>	\$ 57,980	\$ 427,618	\$ 221,348	\$ 706,946	\$ 621,865

The accompanying notes are an integral part of these financial statements

# MVZEIF

## Notes to the Financial Statements

Year ended December 31, 2023

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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 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 is comprised of unrestricted resources that are available for the Organization's operational activities.

The Restricted Fund includes funds that are externally or internally restricted. These funds are used for program delivery activities in accordance with the objectives specified by the funder or with directives issued by the Board of Directors. Under the terms of the FCM Funding Agreement, the Organization is obligated to establish an internally restricted Stabilization Fund which may be used to fund eligible expenses in future years where the annual yield of investment income earned in the Endowment Fund is lower than projected. As of December 31, 2023, no amounts had been allocated to the Stabilization Fund.

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 Restricted Fund once expenditures are incurred.

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

##### *Grants and contributions*

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

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# MVZEIF

## Notes to the Financial Statements

Year ended December 31, 2023

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

#### **b) Revenue recognition** *(continued from previous page)*

##### *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.

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

The Organization utilizes facility space along with internet and photocopying services from Simon Fraser University 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 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 January 11, 2024 to December 22, 2024 with interest rates ranging from 3.00% to 4.25%.

# MVZEIF

## Notes to the Financial Statements

Year ended December 31, 2023

### 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:

	2023	2022
Clean Infrastructure Fund	\$ 3,480,978	\$ 3,835,386
Global Sustainable Balanced Fund	4,793,524	4,286,639
Environmental Leaders Fund	3,833,157	3,372,609
Global Impact Bond Fund	9,118,320	8,648,388
	<b>21,225,979</b>	20,143,022
Current portion of portfolio investments	<b>(1,000,000)</b>	-
	<b>\$ 20,225,979</b>	\$ 20,143,022

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 withdraw \$1,000,000 from the investments in the next fiscal year, the remaining balance of the investments have been classified as long-term.

### 5. Grants and contributions

Contributions in the Restricted Fund primarily consist of restricted contributions from BC Hydro, Metro Vancouver Regional District, Forestry Innovation Investment, Vancouver City Savings Credit Union, McConnell Foundation, and Houssian Foundation.

### 6. Service agreements

Included in service agreements revenue are fees charged to City of Vancouver and City of Victoria to support and deliver climate action initiatives.

# MVZEIF

## Notes to the Financial Statements

Year ended December 31, 2023

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### 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.

#### *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. Prior year restatement

During the year, the Organization determined that certain unrestricted funds were included as externally restricted funds in the prior year. The retroactive application of this correction of an error resulted in a decrease in externally restricted funds of \$7,945 and an increase in unrestricted funds of \$7,945.

### 9. Comparative figures

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

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