PEMBINA INSTITUTE FOR APPROPRIATE DEVELOPMENT

Financial Statements

December 31, 2022

PEMBINA INSTITUTE FOR APPROPRIATE DEVELOPMENT
Index to Financial Statements
For the Year Ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Pembina Institute for Appropriate Development:

Opinion

We have audited the financial statements of Pembina Institute for Appropriate Development (the "Institute"), which comprise the statement of financial position as at December 31, 2022, and the statement of operations and 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 Institute as at December 31, 2022, and its results of 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 Institute in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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 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 the financial statements, management is responsible for assessing the Institute'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 Institute or to cease operations, or has no realistic alternative but to do so.

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

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Independent Auditor's Report to the Directors of Pembina Institute for Appropriate Development *(continued)*

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 Institute’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 Institute’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 Institute 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.

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta
July 7, 2023

PEMBINA INSTITUTE FOR APPROPRIATE DEVELOPMENT
Statement of Financial Position
As at December 31

	2022	2021
Assets		
Current		
Cash	$ 2,671,736	$ 1,266,622
Short-term investments *(Note 3)*	851,635	-
Accounts receivable	974,793	1,045,574
Goods and services tax recoverable	29,535	24,402
Prepaid expenses	138,113	113,198
Assets held for sale *(Note 4)*	-	1,357,788
	4,665,812	3,807,584
Capital assets *(Note 8)*	30,666	23,944
	$ 4,696,478	$ 3,831,528
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	$ 976,452	$ 363,134
Deferred revenue *(Note 5)*	1,707,141	1,156,777
Mortgages payable *(Note 6)*	-	785,313
	2,683,593	2,305,224
Net assets		
Invested in capital assets	30,666	596,419
Internally restricted - Pembina General Fund *(Note 12)*	800,000	-
Unrestricted	1,182,219	929,885
	2,012,885	1,526,304
	$ 4,696,478	$ 3,831,528

On behalf of the Board:

DocuSigned by:
Anne Giardini
F77F154167924A7... Director

DocuSigned by:
Thomas Marr-Laing
89C5B255A2B2457... Director

DocuSigned by:
Thomas Holloway
CA6FE530685E41E... Director

The accompanying notes are an integral part of these financial statements.

PEMBINA INSTITUTE FOR APPROPRIATE DEVELOPMENT

Statement of Operations

For the Year Ended December 31

	2022	2021
Revenue		
Grants	**$ 4,761,437**	$ 3,718,510
Event sponsorships	**1,084,454**	482,380
Donations	**711,028**	616,819
Consulting fees	**365,048**	903,767
Other income *(Note 9)*	**123,057**	579,671
	7,045,024	6,301,147
Expenses		
Salaries and wages	**4,363,730**	4,664,482
Project costs	**1,393,276**	540,030
Office and administrative	**282,174**	231,774
Information technology	**184,942**	239,658
Occupancy costs	**181,303**	238,490
Meetings and professional development	**130,519**	2,715
Professional fees	**97,948**	57,885
Contractor services	**74,146**	133,998
Insurance	**45,622**	50,331
Amortization	**17,083**	61,703
Mortgage interest	**11,213**	26,780
Interest and bank charges	**8,979**	10,591
	6,790,935	6,258,437
Excess of revenue over expenses from operations	**254,089**	42,710
Gain on disposal of assets held for sale *(Note 4)*	**232,492**	-
Excess of revenue over expenses	**$ 486,581**	$ 42,710

The accompanying notes are an integral part of these financial statements.

PEMBINA INSTITUTE FOR APPROPRIATE DEVELOPMENT

Statement of Changes in Net Assets

For the Year Ended December 31

	Invested in capital assets	Internally restricted - Pembina General Fund (Note 12)	Unrestricted	**2022**	2021
Net assets - beginning of year	$ 596,419	$ -	$ 929,885	**$ 1,526,304**	$ 1,483,594
Excess (deficiency) of revenue over expenses	215,409	-	271,172	**486,581**	42,710
Purchase of capital assets	23,805	-	(23,805)	**-**	-
Disposal of assets held for sale	(1,357,788)	-	1,357,788	**-**	-
Repayment of mortgages	785,313	-	(785,313)	**-**	-
Internal fund transfer	(232,492)	800,000	(567,508)	**-**	-
Net assets - end of year	$ 30,666	$ 800,000	$ 1,182,219	**$ 2,012,885**	$ 1,526,304

The accompanying notes are an integral part of these financial statements.

PEMBINA INSTITUTE FOR APPROPRIATE DEVELOPMENT

Statement of Cash Flows

For the Year Ended December 31

	2022	2021
Operating activities		
Excess of revenue over expenses	**$ 486,581**	$ 42,710
Items not affecting cash:		
Amortization of capital assets	**17,083**	61,703
Gain on sale of assets held for sale	**(232,492)**	-
Foreign exchange (gain) loss	**(74,327)**	3,790
	196,845	108,203
Changes in non-cash working capital:		
Accounts receivable	**70,781**	37,075
Goods and services tax receivable	**(5,133)**	(6,184)
Prepaid expenses	**(24,915)**	11,631
Accounts payable and accrued liabilities	**613,318**	(41,532)
Deferred revenue	**550,364**	(147,729)
	1,204,415	(146,739)
Cash flows from (used in) operating activities	**1,401,260**	(38,536)
Investing activities		
Purchase of capital assets	**(23,805)**	(9,374)
Proceeds on disposal of assets held for sale	**1,590,280**	-
Purchase of investments	**(851,635)**	-
Cash flows from (used in) investing activities	**714,840**	(9,374)
Financing activity		
Repayment of mortgages	**(785,313)**	(70,781)
Other cash flow item		
Foreign exchange gain (loss) on cash held in foreign currency	**74,327**	(3,790)
Increase (decrease) in cash flows	**1,405,114**	(122,481)
Cash – beginning of year	**1,266,622**	1,389,103
Cash – end of year	**$ 2,671,736**	$ 1,266,622

The accompanying notes are an integral part of these financial statements.

1. Purpose of the organization

Pembina Institute for Appropriate Development (the "Institute") was incorporated on January 14, 1986, and was subsequently continued under the federal Canada Not-for-profit Corporations Act. On January 1, 2019, the Pembina Foundation for Environment Research and Education amalgamated with the Institute. Management has determined that they are exempt from payment of income tax under Section 149(1) of the Income Tax Act as a registered charity.

The Institute is a registered charitable organization based in Calgary with operations in Edmonton, Vancouver, Toronto and Ottawa. It works to support the transition to an energy system that is clean, safe and sustains a high quality of life through a science-based approach to policy, regulation, environmental protection and energy development.

2. Summary of significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) in Part III of the CPA Canada Handbook, and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

Revenue recognition

The Institute 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 and donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Event sponsorship fees are recognized as revenue when the events are held.

Consulting fees are recognized in the period in which the services are provided.

Other income including speaking honoraria and rents are recognized in the period when the services have been provided or when revenue is due.

Cash

Cash includes cash on hand and in banks.

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Revenue and expenses have been translated at the spot rates of exchange during the year.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

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2. Summary of significant accounting policies *(continued)*

Donated services and materials

Donated stock is recorded as its fair market value at the time of the donation. During the year, the Institute received donated corporate shares and immediately liquidated them for a total of $258,015 (2021: $243,742).

The operations of the Institute include contribution of time by volunteers. The fair value of donated services cannot be reasonably determined and are not reflected in these financial statements.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a straight-line basis at the following rates and methods:

Computer equipment	3 years
Electronic equipment	3 years
Office furniture	5 years

The Institute regularly reviews its capital assets to eliminate obsolete items, and determine if there are conditions that indicate an asset value is impaired. If a capital asset is determined to be impaired the net carrying amount of the asset is written down to the asset's fair value. Write-downs are recorded as expenses in the statement of operations in the year they are identified.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred. The financial instruments are tested for impairment at each reporting date.

Financial assets measured at amortized cost include cash, short-term investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

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 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. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Significant estimates included in the financial statements are the estimated useful lives of equipment.

3. Short-term investments

	2022	2021
Other	$ 1,635	$ -
Guaranteed Investment Certificate bearing interest at 3.43%, maturing on January 29, 2023	400,000	-
Guaranteed Investment Certificate bearing interest at 3.71%, maturing on April 29, 2023	200,000	-
Guaranteed Investment Certificate bearing interest at 4.00%, maturing on July 29, 2023	200,000	-
Guaranteed Investment Certificate bearing interest at 4.00%, maturing on August 5, 2023	50,000	-
	$ 851,635	$ -

4. Gain on disposal of property

During 2021, management entered into an agreement with a third party to act as an agent for the disposition of the Institute's property. Accordingly, the property consisting of land and building were reclassified from property and equipment to assets held for sale without further amortization and accounted for at the lower of their carrying value of fair value less costs to sell.

The sale was completed during 2022. The consideration received on the sale consisted of cash and proceeds for the repayment of mortgages (Note 6), resulting in a gain of disposition of $232,492.

Held for sale balance consists of the net book value of:

	2022	2021
Land	$ -	$ 750,955
Buildings	-	606,833
	$ -	$ 1,357,788

5. Deferred revenue

External revenues received by the Institute such as restricted contributions, fee for service and event registrations which are related to project expenditures in the future are deferred and recognized in the year the expenditures are incurred. During the year external revenues added, recognized and deferred by the Institute were as follows:

	Opening balance	Additions	Recognized	Ending balance
Restricted contributions	$ 1,091,777	$ 4,985,305	$ 4,482,719	$ 1,594,363
Event registration	65,000	1,132,232	1,084,454	112,778
	$ 1,156,777	$ 6,117,537	$ 5,567,173	$ 1,707,141

6. Mortgages payable

	2022	2021
Servus Credit Union mortgage facility with payment due on demand, repaid in May 2022. (Note 4)	$ -	$ 728,643
Servus Credit Union mortgage facility with payment due on demand, repaid in May 2022. (Note 4)	-	56,670
	$ -	$ 785,313

7. Bank indebtedness

The Institute has a revolving overdraft agreement bearing interest at Credit Union's prime lending rate plus 0.80% (2021 - Credit Union's prime plus 1.00%). The revolving overdraft facility is authorized to a maximum of $450,000 (2021 - $350,000). At December 31, 2022 the balance outstanding on the facility was $Nil (2021 - $Nil).

The Institute's borrowing facility agreement requires that the Institute meet certain financial covenants including a debt-to-equity ratio that will not exceed 3.00:1, a current ratio of no less than 1.25:1 and a debt service coverage ratio of no less than 1.25:1.

8. Capital assets

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Computer equipment	$ 79,575	$ 67,945	$ 11,630	$ 22,842
Electronic equipment	750	750	-	250
Office furniture	27,568	8,532	19,036	852
	$ 107,893	$ 77,227	$ 30,666	$ 23,944

9. Other income

	2022	2021
Foreign currency exchange gain (loss)	$ 74,327	$ (3,790)
Rent	37,144	85,459
Miscellaneous	11,586	60,466
Canada Emergency Wage Subsidy	-	437,536
	$ 123,057	$ 579,671

10. Alberta reporting requirements

The Alberta Charitable Fund-raising Act requires charitable organizations to disclose the remuneration paid to their Alberta employees whose principal duties involve fundraising. The Institute received gross contributions of $699,746 (2021: $616,818) and paid $49,000 (2021: $43,000) to Alberta fundraising employees.

11. Lease commitments

The Institute has entered into long-term lease agreements for its premises in Calgary, Edmonton, Ottawa, Toronto and Vancouver. Future minimum lease payments as at December 31, 2022, are as follows:

2023	$ 127,800
2024	71,913
2025	45,217
2026	47,672
2027	47,672
Thereafter	79,108
	$ 419,382

12. Internally restricted fund

During the year, the Board of Directors approved the creation of the Pembina General Fund. The intention of the fund is to build a financial reserve that will help to ensure the Institute's ability to carry out the mission to advance a prosperous clean energy future for Canada and to fund special projects that align with the Institute's strategic goals. The Pembina General Fund is not intended to eliminate any budget variances. At the discretion of the Board, any excess of revenue over expenditures at year end may be transferred to the Pembina General Fund and be utilized only at the Board's approval.

13. Financial instruments

The Institute is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Institute's risk exposure and concentration as of December 31, 2022.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Institute's financial assets that are exposed to credit risk consist primarily of accounts receivable. The Institute is not subject to significant concentration of credit risk with respect to its funders, sponsors and customers.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Institute is exposed to this risk mainly in respect of its receipt of funds from its funders, sponsors and customers, mortgages payable and accounts payable.

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13. Financial instruments *(continued)*

(c) Currency risk

Currency risk is the risk to the Institute's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Institute is exposed to foreign currency exchange risk on cash and accounts receivable held in U.S. dollars. The Institute does not use derivative instruments to reduce its exposure to foreign currency risk.

(d) 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. In seeking to minimize the risks from interest rate fluctuations, the Institute manages exposure through its normal operating and financing activities. The Institute is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

Unless otherwise noted, it is management’s opinion that the Institute is not exposed to significant other price risks arising from these financial instruments.

14. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation. This reclassification has no effect on prior year's excess of revenue over expenses from operations.