

PEMBINA INSTITUTE FOR APPROPRIATE DEVELOPMENT

Financial Statements

December 31, 2023

PEMBINA INSTITUTE FOR APPROPRIATE DEVELOPMENT
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For the Year Ended December 31, 2023

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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, 2023, 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, 2023, 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
May 22, 2024

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

	2023	2022
Assets		
Current		
Cash	\$ 1,582,428	\$ 2,671,736
Short-term investments (Note 3)	960,698	851,635
Accounts receivable	859,419	974,793
Goods and services tax recoverable	56,284	29,535
Prepaid expenses	305,400	138,113
	<u>3,764,229</u>	<u>4,665,812</u>
Capital assets (Note 8)	49,576	30,666
Long-term Investments (Note 3)	1,003,420	-
	<u>\$ 4,817,225</u>	<u>\$ 4,696,478</u>
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	\$ 316,745	\$ 976,452
Deferred revenue (Note 5)	2,257,391	1,707,141
	<u>2,574,136</u>	<u>2,683,593</u>
Net assets		
Invested in capital assets	49,576	30,666
Internally restricted - Pembina General Fund (Note 12)	1,101,700	800,000
Unrestricted	1,091,813	1,182,219
	<u>2,243,089</u>	<u>2,012,885</u>
	<u>\$ 4,817,225</u>	<u>\$ 4,696,478</u>

Lease commitments (Note 11)

On behalf of the Board:



Director



Director

PEMBINA INSTITUTE FOR APPROPRIATE DEVELOPMENT
Statement of Operations
For the Year Ended December 31

	2023	2022
Revenue		
Grants	\$ 6,067,903	\$ 4,761,437
Event sponsorships	1,051,009	1,084,454
Donations (Note 6)	790,694	711,028
Consulting fees	268,349	365,048
Other income (Note 9)	120,221	123,057
	<u>8,298,176</u>	<u>7,045,024</u>
Expenses		
Salaries and wages	4,997,563	4,363,730
Project costs	1,746,913	1,393,276
Office and administrative	313,979	282,174
Occupancy costs	286,650	181,303
Contractor services	241,367	74,146
Meetings and professional development	178,546	130,519
Information technology	129,094	184,942
Professional fees	100,932	97,948
Insurance	46,424	45,622
Amortization	16,090	17,083
Interest and bank charges	10,414	8,979
Mortgage interest	-	11,213
	<u>8,067,972</u>	<u>6,790,935</u>
Excess of revenue over expenses from operations	230,204	254,089
Gain on disposal of assets held for sale (Note 4)	-	232,492
Excess of revenue over expenses	\$ 230,204	\$ 486,581

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	2023	2022
Net assets - beginning of year	\$ 30,666	\$ 800,000	\$ 1,182,219	\$ 2,012,885	\$ 1,526,304
Excess (deficiency) of revenue over expenses	(16,090)	37,550	208,744	230,204	486,581
Purchase of capital assets	35,000	-	(35,000)	-	-
Disposal of assets held for sale	-	-	-	-	-
Repayment of mortgages	-	-	-	-	-
Internal fund transfer	-	264,150	(264,150)	-	-
Net assets - end of year	\$ 49,576	\$ 1,101,700	\$ 1,091,813	\$ 2,243,089	\$ 2,012,885

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

	2023	2022
Operating activities		
Excess of revenue over expenses	\$ 230,204	\$ 486,581
Items not affecting cash:		
Amortization of capital assets	16,090	17,083
Gain on sale of assets held for sale	-	(232,492)
	<u>246,294</u>	<u>271,172</u>
Changes in non-cash working capital:		
Accounts receivable	115,374	70,781
Goods and services tax receivable	(26,749)	(5,133)
Prepaid expenses	(167,287)	(24,915)
Accounts payable and accrued liabilities	(659,707)	613,318
Deferred revenue	550,250	550,364
	<u>(188,119)</u>	<u>1,204,415</u>
Cash flows from operating activities	<u>58,175</u>	<u>1,475,587</u>
Investing activities		
Purchase of capital assets	(35,000)	(23,805)
Proceeds on disposal of assets held for sale	-	1,590,280
Purchase of investments	(1,964,118)	(851,635)
Proceeds on disposal of investments	851,635	-
	<u>(1,147,483)</u>	<u>714,840</u>
Cash flows (used in) from investing activities	<u>(1,147,483)</u>	<u>714,840</u>
Financing activity		
Repayment of mortgages	-	(785,313)
	<u>-</u>	<u>(785,313)</u>
(Decrease) increase in cash flows	<u>(1,089,308)</u>	<u>1,405,114</u>
Cash – beginning of year	<u>2,671,736</u>	<u>1,266,622</u>
Cash – end of year	<u>\$ 1,582,428</u>	<u>\$ 2,671,736</u>

PEMBINA INSTITUTE FOR APPROPRIATE DEVELOPMENT

Notes to Financial Statements

Year Ended December 31, 2023

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, rents, and interest revenues are recognized in the period when the services have been provided, when revenue is due, or when interest is earned.

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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PEMBINA INSTITUTE FOR APPROPRIATE DEVELOPMENT

Notes to Financial Statements

Year Ended December 31, 2023

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 \$274,260 (2022: \$258,015).

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
Website	3 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, Guaranteed Investment Certificates and accounts receivable.

Financial assets measured at fair value include Market Exchange Traded Funds.

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

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PEMBINA INSTITUTE FOR APPROPRIATE DEVELOPMENT
Notes to Financial Statements
Year Ended December 31, 2023

2. Summary of significant accounting policies (continued)

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 Capital Assets.

3. Short-term investments

	<u>2023</u>	<u>2022</u>
Market Exchange Traded Funds	\$ 1,003,420	\$ -
Guaranteed Investment Certificate bearing interest at 5.18%, maturing on January 27, 2024	301,278	-
Guaranteed Investment Certificate bearing interest at 5.04%, maturing on February 27, 2024	302,527	-
Guaranteed Investment Certificate bearing interest at 5.04%, maturing on March 28, 2024	303,822	-
Guaranteed Investment Certificate bearing interest at 5.15%, maturing on May 4, 2024	53,071	-
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
Other	-	1,635
Total investments	1,964,118	851,635
Less: Long-term investments	(1,003,420)	-
Short-term investments	\$ 960,698	\$ 851,635

Long-term investments represent Market Exchange Traded Funds that are held to finance the Pembina General Fund.

PEMBINA INSTITUTE FOR APPROPRIATE DEVELOPMENT

Notes to Financial Statements

Year Ended December 31, 2023

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 disposition the Institute's property was completed during 2022. The consideration received on the sale consisted of cash and proceeds for the repayment of mortgages, resulting in a gain of disposition of \$232,492 in 2022.

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	\$ 1,594,363	\$ 5,762,318	\$ 5,231,921	\$ 2,124,760
Event registration	112,778	1,057,422	1,051,009	119,191
Pembina Alumni Fund donations	-	13,440	-	13,440
	<u>\$ 1,707,141</u>	<u>\$ 6,833,180</u>	<u>\$ 6,282,930</u>	<u>\$ 2,257,391</u>

The Pembina Alumni Fund donations represent restricted donations received to be used to support the employment of interns and young professionals in their climate careers, to allow the Institute to attract top talent from post-secondary institutions, and to attract professionals in the industry to apply their talent and skills within the Institute. The donations will be recognized when the related expenditures are incurred.

6. Related party transactions

During the year, the Institute received unrestricted donations of \$16,271 (2022: \$9,050) from members of the Board of Directors. These transactions were in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. Bank indebtedness

The Institute has a revolving overdraft agreement bearing interest at Credit Union's prime lending rate plus 0.80% (2022 - Credit Union's prime plus 0.80%). The revolving overdraft facility is authorized to a maximum of \$450,000 (2022 - \$450,000). At December 31, 2023 the balance outstanding on the facility was \$Nil (2022 - \$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.

PEMBINA INSTITUTE FOR APPROPRIATE DEVELOPMENT

Notes to Financial Statements

Year Ended December 31, 2023

8. Capital assets

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Computer equipment	\$ 79,574	\$ 79,574	\$ -	\$ 11,630
Electronic equipment	750	750	-	-
Office furniture	27,568	12,992	14,576	19,036
Website	35,000	-	35,000	-
	<u>\$ 142,892</u>	<u>\$ 93,316</u>	<u>\$ 49,576</u>	<u>\$ 30,666</u>

As at December 31, 2023, the Website has not been put into use and no amortization has been recognized.

9. Other income

	2023	2022
Interest	\$ 94,959	\$ 6,706
Rent	36,537	37,144
Miscellaneous	8,747	4,880
Foreign currency exchange gain (loss)	(20,022)	74,327
	<u>\$ 120,221</u>	<u>\$ 123,057</u>

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 \$734,134 (2022: \$699,746) and paid \$61,000 (2022: \$49,000) 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, 2023, are as follows:

2024	\$ 202,862
2025	94,907
2026	66,702
2027	64,322
2028	64,477
Thereafter	<u>73,625</u>
	<u>\$ 566,895</u>

PEMBINA INSTITUTE FOR APPROPRIATE DEVELOPMENT

Notes to Financial Statements

Year Ended December 31, 2023

12. Internally restricted fund

In 2022, 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, 2023.

(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.

(c) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market. The Institute is exposed to market risk through its Market Exchange Traded Funds.

(d) 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.

(e) 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.

PEMBINA INSTITUTE FOR APPROPRIATE DEVELOPMENT
Notes to Financial Statements
Year Ended December 31, 2023

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.
