

THE ALBERTA ECOTRUST FOUNDATION

Financial Statements

March 31, 2023

THE ALBERTA ECOTRUST FOUNDATION
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For the Fifteen Month Period Ended March 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Directors of The Alberta Ecotrust Foundation :

Opinion

We have audited the financial statements of The Alberta Ecotrust Foundation (the "Foundation"), which comprise the statement of financial position, as at March 31, 2023, and the statements of operations, changes in fund balances and cash flows for the period 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 Foundation as at March 31, 2023, and its results of operations, changes in fund balances and its cash flows for the period 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 Foundation 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 Foundation'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 Foundation or cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of 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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Independent Auditor's Report to the Directors of The Alberta Ecotrust Foundation (*continued*)

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 Foundation'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 Foundation'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 Foundation 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.

Chartered Professional Accountants

Calgary, Alberta
May 30, 2023

THE ALBERTA ECOTRUST FOUNDATION
Statement of Financial Position
As at March 31

							<i>March 31</i>	<i>December 31</i>
	General Fund	EcoCity Edmonton Grant Fund	CitiesIPCC Legacy Research Grant Fund	Calgary Climate Innovation Fund	Edmonton Climate Innovation Fund	Emissions Neutral Building Exchange	2023	2021
Assets								
Current								
Cash and cash equivalents	\$ 706,618	\$ 30,359	\$ 23,645	\$ 394,473	\$ 86,904	\$ 204,932	\$ 1,446,931	\$ 865,116
Internally restricted cash (Note 8)	108,195	-	-	-	-	-	108,195	105,006
Accounts receivable	1,608	-	-	-	-	-	1,608	303,500
Short term investment (Note 5)	321,937	50,164	50,164	250,370	270,399	1,500,000	2,443,034	374,151
Goods and services tax recoverable	11,841	-	-	-	-	-	11,841	6,579
Prepaid expenses	12,509	-	-	-	-	-	12,509	11,489
	1,162,708	80,523	73,809	644,843	357,303	1,704,932	4,024,118	1,665,841
Property and equipment (Note 6)	12,456	-	-	-	-	-	12,456	6,386
Long term Investments (Note 7)	-	-	-	20,511,637	21,175,383	-	41,687,020	43,088,042
	\$ 1,175,164	\$ 80,523	\$ 73,809	\$ 21,156,480	\$ 21,532,686	\$ 1,704,932	\$ 45,723,594	\$ 44,760,269
Liabilities								
Current								
Accounts payable and accrued liabilities	\$ 861	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 861	\$ 80,231
Amounts due to (from) funds (Note 9)	(52,665)	-	487	3,109	49,069	-	-	-
Grant commitments (Note 17)	386,135	19,000	22,393	-	-	-	427,528	866,938
Deferred contributions related to operations (Note 17)	763,336	59,215	50,245	801,602	638,645	1,700,000	4,013,043	956,440
Current portion of lease inducement (Note 11)	2,372	-	-	-	-	-	2,372	3,162
	1,100,039	78,215	73,125	804,711	687,714	1,700,000	4,443,804	1,906,771
Lease inducement (Note 11)	8,167	-	-	-	-	-	8,167	11,329
	1,108,206	78,215	73,125	804,711	687,714	1,700,000	4,451,971	1,918,100

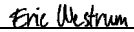
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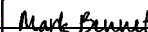
THE ALBERTA ECOTRUST FOUNDATION
Statement of Financial Position *(continued)*
As at March 31

							<i>March 31</i>	<i>December 31</i>
	General Fund	EcoCity Edmonton Grant Fund	CitiesIPCC Legacy Research Grant Fund	Calgary Climate Innovation Fund	Edmonton Climate Innovation Fund	Emissions Neutral Building Exchange	2023	2021
Fund Balances								
Invested in property and equipment	12,457	-	-	-	-	-	12,457	6,387
Internally restricted <i>(Note 8)</i>	5,006	2,308	684	-	-	4,932	12,930	107,409
Unrestricted	49,495	-	-	-	-	-	49,495	21,695
Endowment funds <i>(Note 3)</i>	-	-	-	20,351,769	20,844,972	-	41,196,741	42,706,678
	66,958	2,308	684	20,351,769	20,844,972	4,932	41,271,623	42,842,169
	\$ 1,175,164	\$ 80,523	\$ 73,809	\$ 21,156,480	\$ 21,532,686	\$ 1,704,932	\$ 45,723,594	\$ 44,760,269

Commitments *(Notes 10, 12)*

On behalf of the Board

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 Eric Nestrum Director
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 Mark Bennett Director
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THE ALBERTA ECOTRUST FOUNDATION

Statement of Operations

Period Ended March 31, 2023

	General Fund	EcoCity Edmonton Grant Fund	CitiesIPCC Legacy Research Grant Fund	Calgary Climate Innovation Fund	Edmonton Climate Innovation Fund	Emissions Neutral Building Exchange	15 month period ended March 31, 2023	12 month period ended December 31, 2021
Revenue								
Foundations and grants (Note 17)	\$ 687,444	\$ -	\$ -	\$ 323,274	\$ 737,592	\$ -	\$ 1,748,310	\$ 1,064,590
Endowment allocation (Note 17)	-	-	-	1,588,020	1,367,692	-	2,955,712	368,114
Investment income, net of fees	1,035	273	366	396,660	383,191	4,932	786,457	512,675
Donations	413,374	-	-	150	150	-	413,674	242,131
Other income	107,346	-	-	549	549	-	108,444	3,400
Fees for service	10,704	-	-	-	75,000	-	85,704	61,063
Sponsorships	-	-	-	-	-	-	-	42,500
	1,219,903	273	366	2,308,653	2,564,174	4,932	6,098,301	2,294,473
Expenses								
Programs								
Grants	640,388	-	-	266,000	370,355	-	1,276,743	1,045,913
Foundation directed initiatives	-	-	-	358,054	502,108	-	860,162	141,867
Program delivery	529,809	-	-	578,969	582,185	-	1,690,963	1,129,725
	1,170,197	-	-	1,203,023	1,454,648	-	3,827,868	2,317,505
Financial management								
Office	53,248	28	22	56,687	58,726	-	168,711	103,781
Professional fees	8,708	-	-	65,060	64,265	-	138,033	67,017
Insurance	1,867	-	-	1,905	2,490	-	6,262	4,414
Amortization of property and equipment	1,952	-	-	-	-	-	1,952	4,279
	65,775	28	22	123,652	125,481	-	314,958	179,491
	1,235,972	28	22	1,326,675	1,580,129	-	4,142,826	2,496,996
Excess (deficiency) of revenue over expenses before unrealized investment gain (loss)	(16,069)	245	344	981,978	984,045	4,932	1,955,475	(202,523)
Unrealized investment gain (loss)	(50,061)	-	-	(296,783)	(243,464)	-	(590,308)	520,179
Excess (deficiency) of revenue over expenses	\$ (66,130)	\$ 245	\$ 344	\$ 685,195	\$ 740,581	\$ 4,932	\$ 1,365,167	\$ 317,656

THE ALBERTA ECOTRUST FOUNDATION
Statement of Changes in Fund Balances
Period Ended March 31, 2023

	General Fund	EcoCity Edmonton Grant Fund	CitiesIPCC Legacy Research Grant Fund	Calgary Climate Innovation Fund	Edmonton Climate Innovation Fund	Emissions Neutral Building Exchange	15 month period ended March 31, 2023	12 month period ended December 31, 2021
Net assets - beginning of year	\$ 133,088	\$ 2,063	\$ 340	\$ 21,244,595	\$ 21,462,083	\$ -	\$ 42,842,169	\$ 42,892,627
Excess of revenue over expenses	(66,130)	245	344	685,195	740,581	4,932	1,365,167	317,656
Contributions during the year	-	-	-	10,000	10,000	-	20,000	-
Drawings during the year	-	-	-	(1,588,021)	(1,367,692)	-	(2,955,713)	(368,114)
Net assets - end of year	\$ 66,958	\$ 2,308	\$ 684	\$ 20,351,769	\$ 20,844,972	\$ 4,932	\$ 41,271,623	\$ 42,842,169

THE ALBERTA ECOTRUST FOUNDATION

Statement of Cash Flows

For the Fifteen Month Period Ended March 31, 2023

	General Fund March 31	EcoCity Edmonton Grant Fund March 31	CitiesIPCC Legacy Research Grant Fund March 31	Calgary Climate Innovation Fund March 31	Edmonton Climate Innovation Fund March 31	Emissions Neutral Building Exchange March 31	2023 March 31	2021 December 31
Operating activities								
Deficiency of revenue over expenses	\$ (66,130)	\$ 245	\$ 344	\$ 685,195	\$ 740,581	\$ 4,932	\$ 1,365,167	\$ 317,656
Items not affecting cash:								
Amortization of property and equipment	1,952	-	-	-	-	-	1,952	4,279
Unrealized investment loss (gain)	50,061	-	-	296,783	243,464	-	590,308	(520,179)
	(14,117)	245	344	981,978	984,045	4,932	1,957,427	(198,244)
Changes in non-cash working capital:								
Accounts receivable	8,892	-	-	-	293,000	-	301,892	(282,500)
Accounts payable and accrued liabilities	(13,537)	-	-	(32,909)	(32,924)	-	(79,370)	31,714
Interfund balances	(132,058)	-	487	(114,189)	245,760	-	-	-
Prepaid expenses	(2,604)	-	-	792	792	-	(1,020)	11,591
Goods and services tax recoverable	(5,262)	-	-	-	-	-	(5,262)	979
Grant commitments	(84,403)	(50,395)	(65,612)	(150,000)	(89,000)	-	(439,410)	244,927
Deferred contributions related to operations	687,869	-	(1)	641,527	27,208	1,700,000	3,056,603	31,665
Lease inducement	(3,952)	-	-	-	-	-	(3,952)	(3,162)
	454,945	(50,395)	(65,126)	345,221	444,836	1,700,000	2,829,481	35,214
Cash flows from operating activities	440,828	(50,150)	(64,782)	1,327,199	1,428,881	1,704,932	4,786,908	(163,030)
Investing activities								
Purchase of property and equipment	(8,022)	-	-	-	-	-	(8,022)	(4,625)
Purchase of short-term investment (net)	(1,374)	(50,164)	(50,164)	(250,370)	(270,399)	(1,500,000)	(2,122,471)	(668,286)
Realized income on long term investments (net)	-	-	-	752,564	111,737	-	864,301	(42,308,464)
Cash flows from (used by) investing activities	(9,396)	(50,164)	(50,164)	502,194	(158,662)	(1,500,000)	(1,266,192)	(42,981,375)
Financing activities								
Transfer from restricted funds	-	-	-	(1,588,020)	(1,367,692)	-	(2,955,712)	42,534,569
Fund level endowments	-	-	-	10,000	10,000	-	20,000	-
Cash flow from (used by) financing activities	-	-	-	(1,578,020)	(1,357,692)	-	(2,935,712)	42,534,569

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THE ALBERTA ECOTRUST FOUNDATION

Statement of Cash Flows (continued)

For the Fifteen Month Period Ended March 31, 2023

	General Fund <i>March 31</i>	EcoCity Edmonton Grant Fund <i>March 31</i>	CitiesIPCC Legacy Research Grant Fund <i>March 31</i>	Calgary Climate Innovation Fund <i>March 31</i>	Edmonton Climate Innovation Fund <i>March 31</i>	Emissions Neutral Building Exchange <i>March 31</i>	2023 March 31	2021 <i>December 31</i>
Net change in cash and cash equivalents during the period	431,432	(100,314)	(114,946)	251,373	(87,473)	204,932	585,004	(609,836)
Cash and cash equivalents - beginning of period	383,381	130,673	138,591	143,100	174,377	-	970,122	1,599,958
Cash and cash equivalents - end of period	814,813	30,359	23,645	394,473	86,904	204,932	1,555,126	990,122
Cash consists of:								
Cash and cash equivalents	\$ 706,618	\$ 30,359	\$ 23,645	\$ 394,473	\$ 86,904	\$ 204,932	\$ 1,446,931	\$ 865,116
Restricted cash	108,195	-	-	-	-	-	108,195	105,006
	\$ 814,813	\$ 30,359	\$ 23,645	\$ 394,473	\$ 86,904	\$ 204,932	\$ 1,555,126	\$ 970,122

THE ALBERTA ECOTRUST FOUNDATION
Notes to Financial Statements
For the Fifteen Month Period Ended March 31, 2023

1. Purpose of the organization

The Alberta Ecotrust Foundation (the "Foundation") is an organization dedicated to providing funding and collaborative support to non-profit groups that are working on environmental projects throughout the Province of Alberta. The Foundation was incorporated under the Societies Act of Alberta and is a federally registered charity under the Income Tax Act Section 149(1)(f) and therefore, exempt from the payment of income tax. During the period the Foundation changed its fiscal year end to March 31, 2023 to align with the year end of Federation of Canadian Municipalities (FCM).

2. Summary of significant accounting policies

Basis of presentation

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, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Revenue recognition

The Alberta Ecotrust Foundation follows the deferral method of accounting for contributions.

Restricted grants and donations are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted grants 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.

Fees for services 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 includes interest and dividend is recognized as revenue on an accrual basis when it is earned.

AEF-CIF Investment income consists of interest, dividends and realized gains (losses) on disposition of investments. Investment income is recorded net of portfolio management fees and related fees. Changes in unrealized gains or losses are recorded in the statement of operations.

Unrealized gains or losses are measured between carrying value and fair market value as at reporting date.

The Alberta Ecotrust Climate Innovation Fund follows the restricted fund method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions not expended for which there is not a specified fund are deferred and recognized as revenue in the year in which the related expenses are recognized.

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THE ALBERTA ECOTRUST FOUNDATION
Notes to Financial Statements
For the Fifteen Month Period Ended March 31, 2023

2. Summary of significant accounting policies (continued)

Funds

The General Fund accounts for the Foundation's program delivery and administrative activities related to its provincewide environmental programs. This fund reports unrestricted resources and restricted grants related to specific projects conducted by the Foundation and for advancing to projects targeted to improve environmental benefits.

The EcoCity Edmonton Grant Fund ("EcoCity") received from the City of Edmonton and the Edmonton Community Foundation is for the purpose of advancing projects within the City of Edmonton that reduce greenhouse gas emissions and/or help the city adapt to a changing climate.

The CitiesIPCC Legacy Research Grant Fund ("IPCC") received from the City of Edmonton is for the purpose of addressing climate change adaptation and mitigation and offering new or additional insight on advancing research projects in the city focused on increasing local knowledge and advancing municipal policy related to climate change adaptation and mitigation.

The Calgary Climate Innovation Fund ("Calgary CIF") and the Edmonton Climate Innovation Fund ("Edmonton CIF") received from the Federation of Canadian Municipalities ("FCM") an endowment of \$21,700,858 each, for a total of \$43,401,716, for the purpose of supporting the Low Carbon Cities Canada program ("LC3") whose objectives will be achieved through investments, strategic grants, demonstration projects and/or other programs that address barriers and accelerate adoption of urban greenhouse gas emissions reductions solutions, while operating in collaboration with municipalities and local stakeholders.

The Emissions Neutral Building Exchange Fund ("ENBx") is received from the City of Edmonton to support the reduction of greenhouse gas emissions through the decarbonization of the building industry. This fund supports Foundation programs focused on industry capacity building for zero emission buildings in both the residential and commercial sectors, as well as supporting the ongoing implementation of current and future zero emissions building policy, processes, standards, and regulations in Edmonton and across Alberta.

Cash and cash equivalents

Cash includes cash on hand and in bank accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less and subject to an insignificant risk of change in value.

Property and equipment

Purchased property and equipment are recorded at cost. Assets are amortized over their useful lives using the straight line method as follows:

Computer equipment	3 years
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Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

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THE ALBERTA ECOTRUST FOUNDATION
Notes to Financial Statements
For the Fifteen Month Period Ended March 31, 2023

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

Grant commitments for the General Fund, Ecocity, and IPCC

Funding for projects approved by the Board of Directors of the Foundation are accrued as a liability and as an expenditure against revenues when the projects are approved. The liability is reduced as the projects are funded and may extend beyond one year.

Grant commitments for AEF-CIF (*Note 10*)

The Alberta Ecotrust Board of Directors sets the annual budget for the organization and the budget for each granting program. The Board delegates authority to grant selection committees to assist the Foundation staff by allocating the grant funding budget to eligible organizations that meet and fulfill the Foundation's mandate.

Approved one-time payment grants are reported as current liabilities and expenditures in the year. Approved grants which are in effect across several years are only recorded as current liabilities and expenditures in the year they become payable. Payment of the first installment of a grant for a project meeting the objectives of AEF is made after approval of the Board of Directors and on execution of an agreement.

Grants can be rescinded by AEF when the original granting conditions have not been met, or cannot be met, or when the applicant/recipient no longer needs the grant. The rescinded amounts are recognized in the year the grant is rescinded.

Financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments and mutual funds that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized as unrealized gains or losses in the statement of operations.

The financial assets measured at amortized cost include cash and cash equivalents, short term investments, and accounts receivable. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and are tested for impairment at each reporting date. The financial assets measured at fair value include marketable securities and investments in equity instruments.

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THE ALBERTA ECOTRUST FOUNDATION
Notes to Financial Statements
For the Fifteen Month Period Ended March 31, 2023

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

Marketable securities

The Foundation's investment policy states the investment limits for the Climate Innovation Fund endowments as percentages of the net asset value as follows:

Direct investments up to 20%, publicly traded equities up to 65%, alternative investments (real estate, infrastructure, private equity) up to 10% for each, and a minimum of 15% in fixed income.

AEF-CIF's equity instruments are categorized using a fair value hierarchy that reflects the significant inputs used in determining the fair values. The three levels of the fair value hierarchy are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

Foreign currency translation

Foreign currency transactions are translated at the exchange rate prevailing at the date of the transactions. Financial instruments included in the fair value measurement category denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses.

Donated services and materials

Donations of services and materials that would otherwise have been purchased are recorded at fair market value when an estimate can be reasonably determined.

Volunteers contribute significant hours to assist the Foundation with carrying out its programs. These contributed services are not recognized in the financial statements due to the difficulty of determining their fair value.

Management estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates required in the preparation of these financial statements include the determination of deferred contributions and accrued liabilities.

THE ALBERTA ECOTRUST FOUNDATION
Notes to Financial Statements
For the Fifteen Month Period Ended March 31, 2023

3. Endowment funds

In 2020 the Foundation received two endowments from the Federation of Canadian Municipalities ("FCM") to create the Calgary Climate Innovation Fund and the Edmonton Climate Innovation Fund respectively. These funds combined, consist of \$38,000,000 to be endowed, plus operating funds of \$5,401,716 which must be maintained in total as an internally-restricted fund. The Foundation may use the proceeds from the investment of the endowments for eligible expenses for each fund per the federal agreement. In the event of default, the total funds of \$43,401,716 are recoverable by the federal government.

Any unrealized gain or loss on the endowments is adjusted to grant revenues to capture the fair value change within the endowment funds themselves.

During 2021 these endowments were transferred into long term investments per note 7.

4. Credit facilities

During the period the Foundation obtained a \$300,000 revolving line of credit of which \$nil was used as at March 31, 2023. Bank advances on the credit line are payable on demand and bears interest at 0.75% over prime. The credit line is secured by limited personal guarantees of the principals of the Foundation.

THE ALBERTA ECOTRUST FOUNDATION
Notes to Financial Statements
For the Fifteen Month Period Ended March 31, 2023

5. Short term investment

During the year, on behalf of Ecocity, the Foundation purchased a \$50,164 (2021 - \$nil) Cashable Guaranteed Investment Certificate bearing interest at 3.50% (2021 - nil%) per annum, maturing on November 18, 2023.

During the year, on behalf of IPCC, the Foundation purchased a \$50,164 (2021 - \$nil) Cashable Guaranteed Investment Certificate bearing interest at 3.50% (2021 - nil%) per annum, maturing on November 18, 2023

During the year, on behalf of CIF YYC, the Foundation purchased a \$250,370 (2021 - \$nil) Cashable Guaranteed Investment Certificate bearing interest at 3.20% (2021 - nil%) per annum, maturing on October 23, 2023

During the year, on behalf of CIF YEG, the Foundation purchased a \$250,399 (2021 - \$nil) Cashable Guaranteed Investment Certificate bearing interest at 3.20% (2021 - nil%) per annum, maturing on October 20, 2023

During the year, on behalf of ENBx, the Foundation purchased a \$230,000 (2021 - \$nil) Cashable Guaranteed Investment Certificate bearing interest at 4.25% (2021 - nil%) per annum, maturing on February 14, 2024

During the year, on behalf of ENBx, the Foundation purchased a \$130,000 (2021 - \$nil) Cashable Guaranteed Investment Certificate bearing interest at 4.25% (2021 - nil%) per annum, maturing on February 14, 2024

During the year, on behalf of ENBx, the Foundation purchased a \$670,000 (2021 - \$nil) non-redeemable Guaranteed Investment Certificate bearing interest at 5.20% (2021 - nil%) per annum, maturing on March 28, 2024

During the year, on behalf of ENBx, the Foundation purchased a \$470,000 (2021 - \$nil) non-redeemable Guaranteed Investment Certificate bearing interest at 5.20% (2021 - nil%) per annum, maturing on March 28, 2024

As at March 31, 2023 on behalf of the General Fund, the Foundation holds Canadian mutual funds valued at \$321,937 (2021 - \$371,157) that are managed by an investment manager.

6. Property and equipment

	Cost	Accumulated amortization	March 31 2023 Net book value	December 31 2021 Net book value
Computer and office equipment	\$ 56,107	\$ 43,651	\$ 12,456	\$ 6,386

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For the Fifteen Month Period Ended March 31, 2023

7. Long term investments

AEF-CIF long term investments consist of pooled funds managed by an investment manager. At year end, the pooled funds consist of the following:

	CIF YYC	CIF YEG	March 31 2023	December 31 2021
Cash and cash equivalents	\$ 3,645,032	\$ 3,260,427	\$ 6,905,459	\$ 779,272
Canadian bonds and fixed income securities	3,149,063	3,888,807	7,037,870	12,444,510
Canadian equities	3,031,292	3,144,187	6,175,479	10,259,773
US equities	2,490,901	2,547,970	5,038,871	6,063,590
EAFE equities	2,595,953	2,734,595	5,330,548	7,122,888
Alternative products	5,599,396	5,599,397	11,198,793	6,418,009
	\$ 20,511,637	\$ 21,175,383	\$ 41,687,020	\$ 43,088,042

8. Internally restricted funds

Internally restricted funds are set aside to support future environmental projects and programs. The expenditure of the funds will be approved by the Board of Directors.

9. Interfund balances

As at March 31, 2023 the following interfund balances are outstanding:

- 1) General Fund receivable of \$52,665 from the CIF YYC, YEG and IPCC funds.
 - 2) CIF YYC payable of \$3,109 to the General Fund.
 - 3) CIF YEG payable of \$49,069 to the General Fund.
 - 4) IPCC payable of \$487 to the General Fund.
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10. AEF-CIF grants committed and paid

Grants are funded from the AEF-CIF based on the project and proponent's characteristics. During the 2023 fiscal period, the board committed funds for CIF YYC of \$390,000 (2021 - \$402,000) and for CIF YEG of \$465,000 (2021 - \$528,710). As in accordance with the policy for these grants (*Note 2*), the current year payouts have been recognized in income of \$416,000 and \$459,355 (2021 - \$175,000 and \$139,000). The remaining committed amounts of \$351,000 and \$459,355 (2021 - \$377,000 and \$478,710) will be recognized when amounts are actually paid out to recipients.

	<i>March 31</i> CIF YYC	<i>March 31</i> CIF YEG
Balance, beginning of year	\$ 377,000	\$ 478,710
Grants committed during the year	390,000	465,000
Amended amount	-	(25,000)
Grants paid during the year(<i>Note 17</i>)	<u>(416,000)</u>	<u>(459,355)</u>
Balance of commitments end of year	\$ 351,000	\$ 459,355

11. Lease inducement

	<i>March 31</i> 2023	<i>December 31</i> 2021
Deferred lease inducement, beginning	\$ 14,491	\$ 17,653
Less: portion recognized in current period	<u>(3,952)</u>	<u>(3,162)</u>
	10,539	14,491
Current portion	<u>(2,372)</u>	<u>(3,162)</u>
Long term deferred lease inducement	\$ 8,167	\$ 11,329

The Foundation entered a new office lease agreement on July 2, 2019. The lease includes a 4 month rent free period as a lease inducement. These lease inducements will be recognized as revenue over the term of the lease, which ends July 31, 2026.

12. Lease commitments

The Foundation entered a new office lease agreement on July 2, 2019 with 7 year term commencing August 1, 2019 and expiring July 31, 2026. The future minimum lease payments excluding operating costs are as follows:

2024	\$ 69,414
2025	69,414
2026	69,414
2027	<u>23,138</u>
	\$ 231,380

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Notes to Financial Statements
For the Fifteen Month Period Ended March 31, 2023

13. Related party transactions

One of the employees is related to the CEO. The related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and with the approval of the Board.

14. Financial instruments

The Foundation is exposed to various risks through its financial instruments. There has been no change in risk exposure from prior year.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting its obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its accounts payable and commitments.

The Foundation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The Foundation maintains a portion of its invested assets in liquid securities.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Foundation is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Foundation is exposed to interest rate risk within the fixed income assets it holds.

The Foundation mitigates interest rate risk through diversification of portfolio assets, including public equities and alternative investments.

15. Subsequent Events

Subsequent to year end the Foundation was advised of a potential claim relating to employment matters from a former employee. The Foundation's management has evaluated the potential merit and outcome of the claim, including the potential of an adverse outcome and possible financial impact. At the date of the financial statements, the Foundation is unable to estimate the possible loss or range of loss, if any, resulting from this claim.

16. 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 excess of revenue over expenses from operations.

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Notes to Financial Statements

For the Fifteen Month Period Ended March 31, 2023

17. Deferred contributions and grant commitment

	General Fund	EcoCity Edmonton Grant Fund	CitiesIPCC Legacy Research Grant Fund	Calgary Climate Innovation Fund	Edmonton Climate Innovation Fund	Emissions Neutral Building Exchange	2023	2021
Deferred contributions related to operations								
Balance - beginning of year	\$ 75,467	\$ 59,215	\$ 50,246	\$ 160,075	\$ 611,437	\$ -	\$ 956,440	\$ 840,775
Grant received	1,375,000	-	-	940,000	740,300	1,700,000	4,755,300	1,401,574
Endowment allocation	-	-	-	-	-	-	-	368,114
Allocations to equity	-	-	-	(10,000)	(10,000)	-	(20,000)	20,000
Revenue recognized	(687,131)	-	-	(288,474)	(703,092)	-	(1,678,697)	(1,674,023)
Deferred contributions related to operations total	\$ 763,336	\$ 59,215	\$ 50,246	\$ 801,601	\$ 638,645	\$ 1,700,000	\$ 4,013,043	\$ 956,440
Grant commitments								
Balance - beginning of year	\$ 470,538	\$ 69,395	\$ 88,005	\$ 150,000	\$ 89,000	\$ -	\$ 866,938	\$ 706,011
Grant commitment approved (Note 10)	640,388	-	-	266,000	370,355	-	1,276,743	1,045,913
Grant commitment paid	(724,791)	(50,395)	(65,612)	(416,000)	(459,355)	-	(1,716,153)	(884,986)
Grant commitments total	\$ 386,135	\$ 19,000	\$ 22,393	\$ -	\$ -	\$ -	\$ 427,528	\$ 866,938
Foundation and grant revenue								
Edmonton Community Foundation	\$ 619,486	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 619,486	\$ 711,406
City of Edmonton fund	-	-	-	-	408,420	-	408,420	11,500
Cities IPCC	-	-	-	-	-	-	-	148,007
Government of Alberta	25,902	-	-	-	-	-	25,902	20,005
Other Foundations	-	-	-	111,375	111,375	-	222,750	173,672
City of Calgary	42,056	-	-	30,000	-	-	72,056	-
CIF Calgary	-	-	-	181,899	-	-	181,899	184,207
CIF Edmonton	-	-	-	-	217,797	-	217,797	183,907
Endowment adjustment	-	-	-	1,588,020	1,367,692	-	2,955,712	-

(continues)

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Notes to Financial Statements

For the Fifteen Month Period Ended March 31, 2023

17. Deferred contributions and grant commitment (continued)

	General Fund	EcoCity Edmonton Grant Fund	CitiesIPCC Legacy Research Grant Fund	Calgary Climate Innovation Fund	Edmonton Climate Innovation Fund	Emissions Neutral Building Exchange	2023	2021
Foundation and grant revenue total	\$ 687,444	\$ -	\$ -	\$ 1,911,294	\$ 2,105,284	\$ -	\$ 4,704,022	\$ 1,432,704
