

ENVIRONMENTAL OPERATORS CERTIFICATION PROGRAM SOCIETY

Financial Statements

Year Ended December 31, 2017

ENVIRONMENTAL OPERATORS CERTIFICATION PROGRAM SOCIETY

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Year Ended December 31, 2017

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KH COQUITLAM

CHARTERED PROFESSIONAL ACCOUNTANTS INC.

A Proud Member of the Kemp Harvey Group
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*denotes professional corporation

INDEPENDENT AUDITOR'S REPORT

To the Members of Environmental Operators Certification Program Society

We have audited the accompanying financial statements of Environmental Operators Certification Program Society, which comprise the statement of financial position as at December 31, 2017 and the statements of revenues and expenditures, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

(continues)

Independent Auditor's Report to the Members of Environmental Operators Certification Program Society
(continued)

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In 2016, the previous auditor issued a qualified opinion with respect to accounts receivable, deferred revenues and dues revenue.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves with respect to the 2016 balance(s) of accounts receivable, deferred revenues and revenues described in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of Environmental Operators Certification Program Society as at December 31, 2017 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Coquitlam, British Columbia
June 7, 2018

KH Coquitlam Chartered Professional Accountants Inc.
Chartered Professional Accountants

ENVIRONMENTAL OPERATORS CERTIFICATION PROGRAM SOCIETY**Statement of Financial Position****December 31, 2017**

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 209,039	\$ 454,417
Marketable securities (Note 3)	59,210	256,761
Accounts receivable (Note 4)	224,059	19,685
Goods and services tax recoverable	-	2,042
Prepaid expenses	22,830	3,973
	<u>515,138</u>	<u>736,878</u>
TANGIBLE CAPITAL ASSETS (Note 5)	<u>522,290</u>	<u>151,254</u>
	<u>\$ 1,037,428</u>	<u>\$ 888,132</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 53,439	\$ 65,418
Goods and services tax payable	5,862	-
Deferred income	281,866	93,417
	<u>341,167</u>	<u>158,835</u>
DEFERRED CAPITAL CONTRIBUTION (Note 6)	<u>68,788</u>	<u>139,434</u>
	<u>409,955</u>	<u>298,269</u>
NET ASSETS	<u>627,473</u>	<u>589,863</u>
	<u>\$ 1,037,428</u>	<u>\$ 888,132</u>

ON BEHALF OF THE BOARD_____
*Director*_____
Director

ENVIRONMENTAL OPERATORS CERTIFICATION PROGRAM SOCIETY**Statement of Revenues and Expenditures****Year Ended December 31, 2017**

	2017	2016
REVENUES		
Member dues	\$ 234,353	\$ 532,565
Services	240,858	281,985
Grants	225,000	150,000
Investment income	2,705	9,877
Amortization of deferred capital contribution	70,646	-
	<u>773,562</u>	<u>974,427</u>
DIRECT COSTS	<u>53,162</u>	<u>27,116</u>
GROSS PROFIT (93.13%; 2016 - 97.22%)	<u>720,400</u>	<u>947,311</u>
EXPENDITURES		
Advertising and promotion	21,692	23,990
Amortization	76,555	13,010
Bad debts (recovery)	(7,492)	5,247
Exams, taxes, licenses and memberships	61,516	102,297
Conference expenses	13,012	2,596
Delivery, freight and express	13,299	12,074
Personnel costs	301,751	275,432
Equipment rentals	4,628	4,044
Insurance	3,919	2,728
Interest and bank charges	9,281	10,138
Meals and entertainment	6,133	2,299
Meetings and travel	39,787	42,522
Miscellaneous	880	979
Office and computer supplies	26,335	44,318
Professional services	33,146	26,627
Occupancy costs	37,757	61,302
Repairs and maintenance	3,163	3,879
Utilities	2,612	4,099
Sub-contracts	31,064	55,196
Supplies	2,266	4,724
Professional growth	1,486	1,207
	<u>682,790</u>	<u>698,708</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 37,610</u>	<u>\$ 248,603</u>

ENVIRONMENTAL OPERATORS CERTIFICATION PROGRAM SOCIETY

Statement of Changes in Net Assets

Year Ended December 31, 2017

	2017	2016
NET ASSETS - BEGINNING OF YEAR	\$ 589,863	\$ 341,260
EXCESS OF REVENUES OVER EXPENDITURES	<u>37,610</u>	<u>248,603</u>
NET ASSETS - END OF YEAR	\$ 627,473	\$ 589,863

ENVIRONMENTAL OPERATORS CERTIFICATION PROGRAM SOCIETY**Statement of Cash Flow****Year Ended December 31, 2017**

	2017	2016
OPERATING ACTIVITIES		
Cash receipts from contributions and members	\$ 694,484	\$ 749,485
Cash paid to suppliers and employees	(697,726)	(661,372)
Goods and services tax	7,904	(9,848)
	<u>4,662</u>	<u>78,265</u>
Cash flow from operating activities		
INVESTING ACTIVITY		
Purchase of tangible capital assets	(447,591)	(143,630)
	<u>-</u>	<u>-</u>
Cash flow used by investing activity	<u>(447,591)</u>	<u>(143,630)</u>
DECREASE IN CASH FLOW	(442,929)	(65,365)
Cash - beginning of year	<u>711,178</u>	<u>776,543</u>
CASH - END OF YEAR	\$ 268,249	\$ 711,178
CASH CONSISTS OF:		
Cash	\$ 209,039	\$ 454,417
Marketable securities	<u>59,210</u>	<u>256,761</u>
	<u>\$ 268,249</u>	<u>\$ 711,178</u>

ENVIRONMENTAL OPERATORS CERTIFICATION PROGRAM SOCIETY

Notes to Financial Statements

Year Ended December 31, 2017

1. PURPOSE OF THE SOCIETY

Environmental Operators Certification Program Society (the "society") is a not-for-profit organization incorporated provincially under the Society Act of British Columbia. Management has determined that they are exempt from payment of income tax under Section 149(1) of the Income Tax Act.

The society's mandate is to protect human health, the environment and the investment in facilities through increased knowledge, skill and proficiencies of the members of the program in all matters relating to water treatment and distribution and wastewater collection, treatment and disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Revenue recognition

Environmental Operators Certification Program Society follows the deferral method of accounting for contributions, which include government grants. Grants are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions are recognized as revenue when initially recorded in the accounts.

Membership fees are accrued in the year to which they are applicable.

Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Financial instruments policy

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.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial assets measured at fair value include marketable securities.

Financial liabilities measured at amortized cost include accounts payable.

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ENVIRONMENTAL OPERATORS CERTIFICATION PROGRAM SOCIETY

Notes to Financial Statements

Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

When preparing financial statements according to ASNPO, management makes estimates and assumptions relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the society may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as allowance for doubtful accounts.

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. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

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

Tangible capital assets

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

Computer equipment	30%	straight-line method
Computer software	20%	straight-line method
Furniture and fixtures	20%	straight-line method

The society regularly reviews its tangible capital assets to eliminate obsolete items. As at December 31, 2017, no capital assets had been identified which required a write-down.

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

Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation. The cash flow has been presented to more closely match current year requirements.

Contributed services

The operations of the society depend on both the contribution of time by volunteers. The fair value of donated services cannot be reasonably determined and are therefore not reflected in these financial statements.

ENVIRONMENTAL OPERATORS CERTIFICATION PROGRAM SOCIETY**Notes to Financial Statements****Year Ended December 31, 2017****3. MARKETABLE SECURITIES**

	<u>2017</u>	<u>2016</u>
Home Trust GIC	\$ -	\$ 100,808
Investors Income Plus Portfolio B	<u>59,210</u>	<u>155,953</u>
	<u>\$ 59,210</u>	<u>\$ 256,761</u>
Cost	<u>\$ 57,239</u>	<u>\$ 251,122</u>

4. ACCOUNTS RECEIVABLE

	<u>2017</u>	<u>2016</u>
Membership dues receivable	\$ 244,314	\$ 47,432
Allowance for doubtful accounts	<u>(20,255)</u>	<u>(27,747)</u>
	<u>\$ 224,059</u>	<u>\$ 19,685</u>

5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	<u>2017 Net book value</u>	2016 Net book value
Computer equipment	\$ 24,194	\$ 4,888	\$ 19,306	\$ 3,566
Computer software	567,027	70,646	496,381	139,434
Furniture and fixtures	20,635	14,032	6,603	8,254
	<u>\$ 611,856</u>	<u>\$ 89,566</u>	<u>\$ 522,290</u>	<u>\$ 151,254</u>

6. DEFERRED CAPITAL CONTRIBUTION

Deferred capital contribution represents funding received from the Ministry in 2016 to acquire a new member software system. The deferred contribution is amortized to operations on the same basis as the related software amortization.

	<u>2017</u>	<u>2016</u>
Deferred capital contribution - addition and closing balance	\$ 68,788	\$ 139,434

ENVIRONMENTAL OPERATORS CERTIFICATION PROGRAM SOCIETY

Notes to Financial Statements

Year Ended December 31, 2017

7. CONTRACTUAL OBLIGATIONS

The Society entered into a lease agreement for premises with the Salvation Army expiring June 30, 2019 with a five year option for renewal on terms to be negotiated. Rent is calculated at 6% of gross receipts with a minimum monthly rental of \$1,400 or \$16,800 per annum. In addition, the lease requires payment for strata fees and property taxes of approximately \$879 per month.

Contractual obligation repayment schedule:

2018	\$	16,800
2019		<u>8,400</u>
	\$	<u>25,200</u>

8. FINANCIAL INSTRUMENTS

The society 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 society's risk exposure and concentration as of December 31, 2017.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The society is exposed to credit risk from members. In order to reduce its credit risk, the society reviews a member's credit history before extending credit and conducts regular reviews of its existing member's credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The society has a significant number of members which minimizes concentration of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The society is exposed to this risk mainly in respect of its receipt of funds from its members and funders and other related sources.

Unless otherwise noted, it is management's opinion that the society is not exposed to significant risks arising from these financial instruments.

9. GOING CONCERN

The accompanying financial statements have been prepared on the going concern assumption that the society will be able to realize its assets and discharge its liabilities in the normal course of operations.
