

**CLIMATE CHANGE CENTRAL  
FINANCIAL STATEMENTS**

**December 31, 2010**

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## INDEPENDENT AUDITOR'S REPORT

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**To the Board of Directors of Climate Change Central:**

**Report on the financial statements**

We have audited the accompanying financial statements of Climate Change Central, which comprise the statement of financial position as at December 31, 2010 and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

**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 audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Climate Change Central as at December 31, 2010, the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.


March 25, 2011  
Calgary, Alberta, Canada

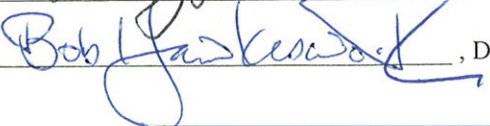
*Thompson Penner & Lo LLP*  
Certified General Accountants

**CLIMATE CHANGE CENTRAL**  
**STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2010

	C3			2010	2009
	EnviroTech Solutions	Operating Fund	Program Fund		
<b>ASSETS</b>					
<b>Current</b>					
Cash	\$ 2,434	\$ 804,003	\$ 2,200,938	\$ 3,007,375	\$ 862,447
Short term investments (Note 5)	-	2,077,944	13,537,331	15,615,275	32,177,107
Accounts receivable	66,748	58,457	165,760	290,965	908,365
Account receivable from program fund (Note 6)	-	89,794	-	-	-
Intercompany account receivable (Note 6)	-	-	100,138	-	-
Prepaid expenses	-	60,227	4,033	64,260	29,349
	69,182	3,090,425	16,008,200	18,977,875	33,977,268
PROPERTY AND EQUIPMENT (Note 8)	-	439,125	17,197	456,322	319,018
	\$ 69,182	\$ 3,529,550	\$ 16,025,397	\$ 19,434,197	\$34,296,286
<b>LIABILITIES</b>					
<b>Current</b>					
Accounts payable and accrued liabilities	\$ 1,086	\$ 216,558	\$ 63,084	\$ 280,728	\$ 594,227
Account payable to operating fund (Note 6)	-	-	89,794	-	-
Intercompany account payable (Note 6)	53,572	-	46,566	-	-
Contributions refundable (Note 9)	-	-	219,108	219,108	240,108
Current portion of deferred leasehold inducements (Note 10)	-	57,794	-	57,794	68,982
	54,658	274,352	418,552	557,630	903,317
Deferred leasehold inducements (Note 10)	-	125,026	-	125,026	57,794
	54,658	399,378	418,552	682,656	961,111
<b>FUND BALANCES</b>					
Invested in property and equipment	-	439,125	17,197	456,322	319,018
Internally restricted assets (Note 7)	-	550,000	-	550,000	-
Restricted funds	14,524	2,141,047	15,589,648	17,745,219	33,016,157
	14,524	3,130,172	15,606,845	18,751,541	33,335,175
	\$ 69,182	\$ 3,529,550	\$ 16,025,397	\$ 19,434,197	\$34,296,286

Approved on behalf of the Board:

  
\_\_\_\_\_, Director

  
\_\_\_\_\_, Director

**CLIMATE CHANGE CENTRAL**  
**STATEMENT OF OPERATIONS**  
For the year ended December 31, 2010

	C3				
	EnviroTech Solutions	Operating Fund	Program Fund	2010	2009
<b>REVENUE</b>					
Provincial government support	\$ -	\$ -	\$ 6,045,945	\$ 6,045,945	\$ 36,273,172
Federal government support	4,686	-	40,679	45,365	190,570
Municipal government support	-	-	861,846	861,846	248,526
Support from other sources	62,646	55	3,337,707	3,400,408	2,064,376
Intercompany revenue (Note 6)	-	-	110,202	-	-
Conference fees and sponsorships	-	3,750	325	4,075	-
Other income	10,009	3,476	103,050	116,535	2,618
Interest income	-	25,516	183,367	208,883	171,375
<b>TOTAL REVENUE</b>	<b>77,341</b>	<b>32,797</b>	<b>10,683,121</b>	<b>10,683,057</b>	<b>38,950,637</b>
<b>EXPENSES</b>					
Rebates, support and incentives (Note 16)	-	-	19,658,049	19,658,049	7,028,773
Other program expenses	-	-	-	-	7,368
	-	-	19,658,049	19,658,049	7,036,141
<b>Human resources</b>					
Management	-	582,481	876,380	1,458,861	1,323,911
Marketing	-	107,273	209,125	316,398	507,797
Research	-	52,771	60,719	113,490	283,363
Administration	-	126,059	1,356,582	1,482,641	1,437,425
Intercompany contract expenses	63,636	-	46,566	-	-
	63,636	868,584	2,549,372	3,371,390	3,552,496
<b>Professional fees</b>	<b>358</b>	<b>310,002</b>	<b>192,063</b>	<b>502,423</b>	<b>394,758</b>
<b>Board governance</b>					
Honoraria and meeting attendance (Note 12)	-	62,262	81,499	143,761	151,230
Meeting expenses	-	3,445	8,037	11,482	31,855
	-	65,707	89,536	155,243	183,085
<b>Premises operations and maintenance</b>					
Rent, utilities and taxes	-	95,524	235,577	331,101	293,759
Repairs and maintenance	-	19,349	45,147	64,496	4,416
	-	114,873	280,724	395,597	298,175
<b>General</b>					
Public education and marketing	-	72,343	298,402	370,745	275,142
Technical support	-	101,944	210,489	312,433	293,685
Travel expenses	-	69,438	52,805	122,243	97,937
Amortization	-	163,936	1,563	165,499	136,648
Telecommunications	-	22,234	31,890	54,124	67,814
Sponsorships	-	750	6,876	7,626	26,887
Office administration	22	27,389	38,358	65,769	83,761
Insurance	-	9,968	14,870	24,838	43,491
Leasing	-	6,352	16,408	22,760	22,040
Bad debt write-off	-	-	2,500	2,500	12,631
Journals, subscriptions and memberships	-	8,608	4,558	13,166	15,917
Professional development	-	17,121	5,166	22,287	11,064
	22	500,083	683,885	1,183,990	1,087,017
<b>TOTAL EXPENSES</b>	<b>64,016</b>	<b>1,859,249</b>	<b>23,453,629</b>	<b>25,266,692</b>	<b>12,551,672</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ 13,325</b>	<b>\$ (1,826,452)</b>	<b>\$ (12,770,508)</b>	<b>\$ (14,583,635)</b>	<b>\$ 26,398,965</b>

**CLIMATE CHANGE CENTRAL**  
**STATEMENT OF CHANGES IN FUND BALANCES**  
For the year ended December 31, 2010

	C3 EnviroTech Solutions	Invested in Property and Equipment	Internally Restricted	Restricted		2010	2009
				Operating Fund	Program Fund		
BALANCE, BEGINNING	\$ 1,199	\$ 319,018	\$ -	\$ 4,637,606	\$ 28,377,353	\$ 33,335,176	\$ 6,936,211
Excess (deficiency) of revenue over expenses	13,325	(165,499)	-	(1,662,516)	(12,768,945)	(14,583,635)	26,398,965
Internally restricted assets	-	-	550,000	(550,000)	-	-	-
Purchase of equipment	-	302,803	-	(284,043)	(18,760)	-	-
<b>BALANCE, ENDING</b>	<b>\$ 14,524</b>	<b>\$ 456,322</b>	<b>\$ 550,000</b>	<b>\$ 2,141,047</b>	<b>\$ 15,589,648</b>	<b>\$ 18,751,541</b>	<b>\$ 33,335,176</b>

**CLIMATE CHANGE CENTRAL**  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2010

	C3			2010	2009
	EnviroTech Solutions	Operating Fund	Program Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Sources of cash:					
Provincial support	\$ -	\$ -	\$ 6,000,000	\$ 6,000,000	\$ 36,255,672
Federal support	279	47,885	-	48,164	271,037
Support from others	6,512	14,029	5,108,934	5,129,475	1,459,732
Interest income received	-	27,116	219,852	246,968	172,309
Use of cash:					
Cash paid to suppliers and employees	(533)	(4,355,706)	(1,285,116)	(5,641,355)	(5,019,516)
Rebates paid out	(141,335)	-	(19,703,518)	(19,844,853)	(6,791,073)
Transfers between accounts	-	2,570,248	(2,570,248)	-	-
Net cash provided by (used in) operating activities	(135,077)	(1,696,428)	(12,230,096)	(14,061,601)	26,348,161
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Sale (purchase) of property and equipment	-	(284,043)	(18,760)	(302,803)	(10,362)
(Increase) in deposit for new office lease	-	(52,500)	-	(52,500)	-
(Decrease) in liability for disposal of blending facility	-	-	-	-	(132,966)
Net cash used through investing activities	-	(336,543)	(18,760)	(355,303)	(143,328)
<b>INCREASE IN CASH FOR THE YEAR</b>	(135,077)	(2,032,971)	(12,248,856)	(14,416,904)	26,204,833
<b>CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR</b>	137,511	4,914,918	27,987,125	33,039,554	6,834,721
<b>CASH AND SHORT TERM INVESTMENTS, END OF YEAR</b>	\$ 2,434	\$ 2,881,947	\$ 15,738,269	\$ 18,622,650	\$ 33,039,554

**CLIMATE CHANGE CENTRAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

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**1. OPERATIONS**

Climate Change Central (the 'Organization') was incorporated on March 31, 2000 under Part 9 of the Companies Act, (Alberta), as a not-for-profit Organization. In 2010, the Organization revisited its purpose and determined that its goal is to foster opportunities and remove barriers within market segments to enable energy users to reach the tipping point into low carbon transformational change. The Organization believes in a world powered by efficiency and clean energy. As a not-for-profit, the Organization, according to section 149(1) of the Income Tax Act, is exempt from paying income taxes.

The Organization's current operating agreement with the Alberta Environment expires on December 31, 2011. The continued operations of the Organization are dependent on continuous funding being provided. The financial statements do not include any adjustments relating to the realization of assets and liquidation of liabilities that might be necessary should the Organization not continue to operate.

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**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Organization have been prepared by management in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

**(a) Fund Accounting**

The Organization follows the restricted fund method of accounting for contributions.

The General Fund accounts for funds received without restrictions. There was no activity in this fund and the balance remained at zero throughout 2010.

The Operating Fund accounts for the Organization's operations (see Note 11(a)).

The Program Fund accounts for funds received for specific projects and related expenses (see Note 11 (a)). Included in the program fund is a fund established for the activity of Climate Change Central Foundation (C3F), a controlled charity (see Note 4(c)). For 2010, the activity within this fund is not considered significant for separate reporting.

A fund is established for the activity of C3 EnviroTech Solutions, a controlled company (see Note 4(a)).

**(b) Revenue Recognition**

Restricted contributions are recognized in the period in which they are received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured. Amounts pledged as future contributions are not recognized in the accounts as ultimate collection is not reasonably assured.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. The Organization did not receive unrestricted contributions in 2010.

Donations to Climate Change Central Foundation (C3F) are recognized in the period in which they are received (see Note 4(d)).

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**CLIMATE CHANGE CENTRAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

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

**(c) Cash**

Cash includes cash and cash equivalents. Cash consists of cash on hand, less cheques issued in excess of bank balances. Cash equivalents consist primarily of commercial paper and deposits with an original maturity date of purchase of three months or less. Because of the short term maturity of these investments, their carrying amount approximates fair value.

**(d) Amortization of Property and Equipment**

Purchased property and equipment are recorded at cost. The Organization charges amortization on property and equipment on a straight-line basis over their estimated useful lives commencing in the quarter in which any asset is purchased or becomes available for use. The following estimated useful lives are used:

Furniture and fixtures	5 years
Office equipment	5 years
Leasehold improvements	over the life of the lease
Computer hardware	3 years
Computer software	3 years

**(e) Deferred Leasehold Inducements**

Historically, deferred leasehold inducements from office leases have been cash payments to the Organization. These payments have been recorded as leasehold inducements in the Statement of Financial Position and have been amortized against rent expense monthly over the term of the leases. When rent inducements include a period of free rent, monthly rent expense is accrued during the rent free period based on the average rent over the term of the lease. The accrual is reported as a long term liability and is amortized to reduce the actual rent payments over the remaining lease term. The cash payment to the landlords for rent will include the reduction in liability and the rent obligation (see Note 10).

**(f) Contributed Services**

Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements in the normal course of business.

**(g) Financial Instruments**

The Organization principally carries financial instruments such as cash, guaranteed investment certificates, accounts receivable, accounts payable and accrued liabilities. These instruments are classified as held for trading and are measured at fair value with unrealized gains and losses recognized in the Statement of Operations. (see Note 18)

**(h) Bad Debt Write-offs**

The Organization's accounts receivable are normally 100% collectible. Payments on programs are protected by contract and all receivables are reviewed monthly and vigorously collected. Therefore, the Organization practices the direct write-off method of accounting for bad debts.

.../ (Continued)

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**CLIMATE CHANGE CENTRAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

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

**(i) Allocated Expenses**

Climate Change Central has four restricted funds. Within each fund, the cost of human resources and contractor fees are separated by fund, by project and then by function into management, marketing, research and administration. Total human resources costs are attributed to each fund on the basis of time spent in each functional area. Professional fees are attributed to each fund based on the invoice details. Allocations of premises, operations and maintenance, of unattributable salaries, and of general expenses (including technical support, telecommunications, insurance, leasing, and office administration) are based on estimated time spent by staff and contractors. Certain board governance costs are attributed directly to funds with the balance allocated on the same basis as other allocated expenses.

**(j) Internally Restricted Assets**

The Board of Directors have directed that the Organization internally restrict assets to be held to reduce risk associated with the Calgary office lease (see Note 7). These assets are reported in the Statement of Financial Position and the Statement of Changes in Fund Balances.

**(k) Fund Raising Expenses**

Expenses for fund raising are to be identified separately from program and operating expenses. Fund raising for the new charity was not significant in 2010. All activity relating to the charity is included in the Program Fund results (see Note 4(c)).

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**3. ACCOUNTING STANDARDS CHANGES**

There are no accounting pronouncements that have been issued or approved since the prior year financial statements that affect this Organization.

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**4. CONTROLLED COMPANIES**

(a) In 2006, the Organization incorporated C3 EnviroTech Solutions, a not-for-profit company designed to market new environmental technologies. This company was being funded by Western Economic Diversification, Alberta Environment and industry partners. The results for C3 EnviroTech Solutions are reported and consolidated with the 2010 year end results. The funding for C3 EnviroTech Solutions expired after March 31, 2010. C3 EnviroTech Solutions began the wind down of the business with the completion of demonstration projects.

(b) In 2011, C3 EnviroTech Solutions will cease activity and will file Articles of Dissolution.

(c) In 2008, the Organization incorporated a society called Climate Change Central Foundation (C3F) in Alberta to realize sustainable environmental benefits by advancing individual and community leadership on climate change. In 2010, the Canada Revenue Agency granted charitable status for the newly incorporated company. During the latter part of 2010, activity increased in the form of donations and human resource expenses. Such activity is reported within the Program Fund and is eliminated in the consolidated statements.

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**CLIMATE CHANGE CENTRAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**4. CONTROLLED COMPANIES (continued)**

(d) Climate Change Central Foundation (C3F) - financial statements

	2010	2009
Assets - cash and term deposits	\$ 11,463	\$ -
Liabilities - intercompany payable	(46,566)	(18,530)
Net assets	<u>\$ (35,103)</u>	<u>\$ (18,530)</u>
Fund balance - beginning	\$ (18,530)	\$ (12,993)
Revenue - donations	11,470	-
Expenses - intercompany expenses for incorporation and management	(28,043)	(5,537)
Fund balance - ending	<u>\$ (35,103)</u>	<u>\$ (18,530)</u>
Financing and investing activities	<u>\$ -</u>	<u>\$ -</u>

**5. SHORT TERM INVESTMENTS**

The Organization received \$6.5 million in 2008, \$29.5 million in 2009 and \$6 million in 2010 from the Alberta government to manage the Consumer and Commercial Rebate programs and to pay rebates to Albertans. The Organization has also received \$6.5 million for operating funding for 2009 to 2011. As part of the Organization's due diligence, a request was made to the five chartered banks and to Alberta Treasury Branch for proposals to invest these funds. Due to criteria of no risk and flexibility, it was determined that guaranteed investment certificates would be the best fit for the Organization. These investments are held at a chartered bank, their investment corporation and at the Alberta Treasury Branch. The composition is as follows:

	2010	2009
<u>Operating Fund:</u>		
GIC, Maturing November 1, 2011, bearing interest of 1.6% p.a. (2009 - 4.25% p.a.)	\$ 57,436	\$ 55,529
GIC, 30 day cashable, bearing interest of 1.05% p.a. (2009 - 0.30% p.a.)	501,923	770,000
GIC, Maturing December 29, 2011, bearing interest of 1.3% p.a. (2009 - 0.55% p.a.)	1,518,585	4,000,263
	<u>\$ 2,077,944</u>	<u>\$ 4,825,792</u>
<u>Program Fund:</u>		
GIC, Maturing April 14, 2010, bearing interest of 0.45% p.a.	\$ -	\$ 2,350,000
GIC, Maturing February 22, 2012, bearing interest of 1.82% p.a.	5,091,023	5,000,000
GIC, Maturing December 29, 2011, bearing interest of 1.3% p.a.	8,446,308	-
GIC, Maturing December 14, 2010, bearing interest of 0.55% p.a.	-	20,001,315
	<u>\$ 13,537,331</u>	<u>\$ 27,351,315</u>

**6. INTRAFUND AND INTERCOMPANY AMOUNTS**

Reported in the Statement of Financial Position is an account receivable for the Operating Fund and an account payable for the Program Fund each with a balance of \$89,794 (2009 - \$36,158). This balance reports the amount owing to the Operating Fund by the Program Fund for expenses paid through the Operating Fund. The common expenses subject to allocation are human resources and overhead. These intrafund balances have been eliminated in the 2010 total column consolidation.

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**CLIMATE CHANGE CENTRAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**6. INTRAFUND AND INTERCOMPANY AMOUNTS (continued)**

Reported in both the Statement of Financial Position and in the Statement of Operations are amounts that represent intercompany transactions. These transactions include revenue and expense in the amount of \$110,202 (2009 - \$69,184), representing contract services provided by Climate Change Central to C3 EnviroTech Solutions and Climate Change Central Foundation (C3F) (see Note 4). Also included are a payable and a receivable in the amount of \$100,138 (2009 - \$49,504), representing the balance owed by C3 EnviroTech Solutions and Climate Change Central Foundation (C3F) to the Program Fund. These intercompany balances have been eliminated in the 2010 total column consolidation.

**7. INTERNALLY RESTRICTED ASSETS**

In 2010, the Board approved that \$550,000 of operating funding be internally restricted and not be available for other purposes without the approval of the Board of Directors. These funds have been set aside in order to reduce risk in the event that Climate Change Central needs to terminate the Calgary office lease at five years from the lease commencement date of July 12, 2010. This is the penalty amount required by the landlords at that time.

**8. PROPERTY AND EQUIPMENT**

	Cost		Accumulated Amortization		Net Book Value	
	2010	2009	2010	2009	2010	2009
Furniture and fixtures	\$ 450,684	\$ 330,079	\$ 338,772	\$ 317,895	\$ 111,912	\$ 12,184
Office equipment	29,165	21,892	17,529	14,509	11,636	7,383
Leasehold improvements	571,574	456,880	335,319	257,763	236,255	199,117
Computer hardware	194,646	143,200	105,897	54,049	88,749	89,151
Computer software	45,541	39,668	37,771	28,485	7,770	11,183
	<b>\$ 1,291,610</b>	<b>\$ 991,719</b>	<b>\$ 835,288</b>	<b>\$ 672,701</b>	<b>\$ 456,322</b>	<b>\$ 319,018</b>

**9. CONTRIBUTIONS REFUNDABLE**

In 2007 and 2008, the Organization received funding from Alberta government to build a renewable diesel plant as a demonstration project. The project was completed below budget and the remaining funds were recorded as Contributions refundable due to the terms of the contract requiring repayment to the contributor and no transfers to other programs. The refundable portion is recorded separately for clarity in the Statement of Financial Position. The funds are to be refunded in 2011.

**CLIMATE CHANGE CENTRAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**10. DEFERRED LEASEHOLD INDUCEMENTS**

	2010	2009
Deferred leasehold inducements, beginning	\$ 126,776	\$ 202,532
Additions: Calgary office leasehold inducements	125,026	-
Amortization	(68,982)	(75,756)
	182,820	126,776
Less: Current portion	(57,794)	(68,982)
Long term deferred leasehold inducements	<u>\$ 125,026</u>	<u>\$ 57,794</u>

On July 1, 2010, the Organization moved the Calgary office to Suite 600 - 110 - 9th Avenue SW. The landlord for the new location offered the Organization a free rent inducement beginning on July 12, 2010. The long term leasehold inducement account is increased monthly in an amount equivalent to the rent expense recognized but not paid out. This liability will be reduced monthly after the leasehold inducement period has expired and when rent becomes payable. The leasehold inducement relating to the old Calgary office was completely amortized in 2010. The remaining leasehold inducement for the Edmonton office has been categorized as short term. The Edmonton office's lease will expire November 30, 2011.

**11. FUNDING AGREEMENTS**

**(a) Provincial government support**

Pursuant to the provisions of the "Funding Agreement" dated July 13, 2000, between the Organization and Her Majesty the Queen in Right of Alberta as represented by the Minister of the Environment (the "Minister"), the Minister provided an initial contribution to establish an Operating Fund for the reasonable start up and administration costs of the Organization in accordance with the terms of the Funding Agreement. Annually, the Minister has provided \$2 million to further the objectives that are consistent with the business and strategic plans of the Organization as may be in effect from time to time and meet the obligations contained within the Funding Agreement. In 2009, the Minister granted the Organization \$6.5 million. This funding provides the Organization with three years of operational funding.

Unless terminated sooner, in accordance with the Provincial Funding Agreement or by mutual agreement of the Minister and the Organization, the Funding Agreement shall end on December 31, 2011. At this time, the Minister may require the Organization to pay to the Minister all or any portion of the Operating Fund that has not been expended or committed to be expended. The Organization has granted to the Minister a security interest in its present and after acquired personal property.

Since 2008, the Minister has provided \$42 million for program funding to the Organization. These funds were advanced to the Organization to manage the Energy Efficiency Rebate programs and to pay energy efficiency incentives to Albertans. Other provincial government funding partners contributed to the Organization in 2010 for specific programs. Total provincial support was \$36,273,172 for both funds for 2009 and \$6,045,945 only for the program fund for 2010.

**(b) Federal government support**

The Organization negotiates contribution agreements for each program receiving federal funds. The Organization incurs program expenses and submits invoices to the federal government for reimbursement in accordance with each contribution agreement.

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**CLIMATE CHANGE CENTRAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**11. FUNDING AGREEMENTS (continued)**

**(c) Funding from other sources**

For the past two years, the Organization has partnered with Summerhill Impact to bring the Retire Your Ride recycling program to Alberta. The purpose of the program is to encourage Albertans by way of incentives to recycle their older vehicles. Summerhill Impact managed and administered the program throughout Canada for the federal government. In 2010, Summerhill Impact provided \$3 million to help with program delivery and incentive payments. Of this amount, 80% (\$2.4 million) has been for incentive payments. Automotive recycling companies are also helping with the program administration and advertising costs. In 2011, as per the contract, the program will finish and work will focus on the final report.

**12. SALARIES, HONORARIA AND BENEFITS - DIRECTORS AND PRESIDENT**

Directors, other than Members of the Legislative Assembly of Alberta, are entitled by the Articles of Association to receive remuneration for serving as a Director of the Organization.

	Board Governance Honoraria					
	Remuneration		Benefits		Total	
	2010	2009	2010	2009	2010	2009
Co-Chairs/Committee Leads	\$ 65,250	\$ 51,901	\$ 1,040	\$ 1,512	\$ 66,290	\$ 53,413
Directors	75,250	95,681	2,221	2,136	77,471	97,817
	<b>\$ 140,500</b>	<b>\$ 147,582</b>	<b>\$ 3,261</b>	<b>\$ 3,648</b>	<b>\$ 143,761</b>	<b>\$ 151,230</b>
President and CEO	\$ 210,453	\$ 198,930	\$ 6,738	\$ 3,142	\$ 217,191	\$ 202,072

(a) Co-Chairs' and Directors' remuneration include retainer and chair fees, meeting attendance and conference call meeting participation.

(b) Co-Chairs' and Directors' benefits are employer contributions to CPP.

(c) Benefits for the President and CEO include health insurance, bonus, CPP, and EI employer matching. RRSP matching is included in remuneration.

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**13. COMMITMENTS**

The Organization has entered into operating lease agreements with terms extending beyond the current fiscal year. These commitments are as follows:

**(a) Premises**

The Organization's commitments on operating leases for office premises are as follows:

Calgary: On July 1, 2010, the Calgary office moved to Suite 600 at 110 - 9th Avenue SW and entered into a new lease agreement for the term of 10 years. The cash value of the future rent payments for the lease is \$2.7 million over the lease period. The Board requested that the Organization internally restrict \$550,000 to reduce the risk associated with early termination of the lease at 5 years. The Organization's proportion of the building's operating expenses was estimated for 2011 at \$108,661. The Organization is responsible for annual operating expenses as additional rent over the life of the lease. The Organization has been granted property tax exemption from the City of Calgary.

Edmonton: The Edmonton office lease will expire on November 30, 2011. The remaining obligation for the lease payments is \$38,990 and for the operating costs and property taxes is \$40,113. With Board approval, the office will close in 2011 and teleworking arrangements for staff will be made.

**(b) Equipment**

The values below include lease costs for photocopiers at both offices, and a mail machine at Calgary office. The copier at the Edmonton office will be moved to Calgary in 2011 and the lease will remain an obligation until the end of the lease. The Calgary mail machine lease will continue until December, 2014. The copier leases expire in 2013. The telephone system lease finished in 2010 and the buy-out option will be exercised in 2011.

2011	\$	15,755 Copiers and mail machine rentals plus telephone system buy out
2012		4,241 Copiers and mail machine
2013		2,765 Mail machine
2014		2,765 Mail machine

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**14. SHARE CAPITAL**

Share Capital is not disclosed on the Statement of Financial Position to comply with disclosure requirements for not-for-profit organizations. Share capital structure was changed in 2011 to:

Authorized:	100,000 common voting shares with nominal or par value of \$1.00 each
Issued and outstanding:	10 common voting shares with nominal or par value of \$1.00 each

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**15. RESTRICTED FUNDS**

As disclosed in Note 11, the Operating Fund expenditures must be consistent with the business plan and strategic plan of the Organization and the Operating Fund Agreement with the Minister. The Program Fund expenditures must be consistent with the terms of each program grant.

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**16. PROGRAM EXPENSES AND INCENTIVES**

The Organization continued in 2010 to manage and administer several incentive programs to effect changes in behavior and technology in order to help reduce greenhouse gas emissions. The Statement of Operations reports the incentives paid under rebates, support and incentives. The contributions and reimbursements from municipal, provincial, federal and industry partners to support these programs are also reported in the Statement of Operations.

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**17. ALLOCATED EXPENSES**

The Organization uses an estimate of time spent by staff on operations versus programs as its allocation base. This estimate results in 70% of allocated costs being charged to the Program Fund, and 30% to the Operating Fund. As described in note 2(i), allocated expenses include premises operations and maintenance, unattributable salaries, and general expenses (including technical support, telecommunications, insurance, leasing, and office administration) as shown in the Statement of Operations. In the current year, the board governance expenses included \$18,750 which was related to strategic planning and was therefore attributed directly to operations with the balance allocated.

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**18. FINANCIAL INSTRUMENTS**

The Organization's financial instruments consist of cash, guaranteed investment certificates, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. These instruments are classified as held for trading and are reported at fair value.

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**19. COMPARATIVE AMOUNTS**

Certain comparative amounts have been reclassified to conform to the current year's presentation.

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