

**Climate Change Central
Statement of Financial Position**

December 31

	Restricted Funds			Total	Total
	General Fund 2004	Operating Fund 2004	Program Fund 2004	2004	2003
Assets					
Current					
Cash	\$ -	\$ 393,315	\$ 684,520	\$ 1,077,835	\$ 211,310
Marketable securities (Note 3)	-	153,004	677,488	830,492	3,895,258
Accounts receivable (Note 13(b))	-	230,006	140,168	370,174	105,764
Prepaid expenses	-	13,708	-	13,708	28,756
	<u>-</u>	<u>790,033</u>	<u>1,502,176</u>	<u>2,292,209</u>	<u>4,241,088</u>
Property and equipment (Note 4)	<u>-</u>	<u>183,037</u>	<u>-</u>	<u>183,037</u>	<u>228,399</u>
	<u>\$ -</u>	<u>\$ 973,070</u>	<u>\$ 1,502,176</u>	<u>\$ 2,475,246</u>	<u>\$ 4,469,487</u>
Liabilities and Fund Balances					
Liabilities					
Current					
Accounts payable and accrued liabilities (Note 13(b))	\$ -	\$ 126,347	\$ 339,702	\$ 466,049	\$ 275,303
Fund balances					
Invested in property and equipment	-	183,037	-	183,037	228,399
Unrestricted fund balances	-	-	-	-	1,250
Restricted fund balances (Note 9)	-	663,686	1,162,474	1,826,160	3,964,535
	<u>-</u>	<u>846,723</u>	<u>1,162,474</u>	<u>2,009,197</u>	<u>4,194,184</u>
	<u>\$ -</u>	<u>\$ 973,070</u>	<u>\$ 1,502,176</u>	<u>\$ 2,475,246</u>	<u>\$ 4,469,487</u>

Approved on behalf of the Board:

_____ Director

_____ Director

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

**Climate Change Central
Statement of Operations**

For the year ended December 31

	Restricted Funds			Total	Total
	General Fund 2004	Operating Fund 2004	Program Fund 2004	2004	2003
Revenue					
Provincial grants	\$ -	\$ 2,000,000	\$ 500,000	\$ 2,500,000	\$ 2,750,000
Federal government support	-	1,782	1,161,602	1,163,384	74,676
Conference fees and sponsorships	-	-	102,095	102,095	148,904
Other income	-	1,509	8,252	9,761	-
Interest income	-	11,677	25,414	37,091	85,049
Total revenue	<u>-</u>	<u>2,014,968</u>	<u>1,797,363</u>	<u>3,812,331</u>	<u>3,058,629</u>
Expenditures					
Energy efficiency and conservation incentives (Note 11)	-	75	2,122,383	2,122,458	80,000
Contracts, wages and benefits					
Wages and benefits	-	1,106,247	664,995	1,771,242	1,219,759
Contracts	-	103,728	410,191	513,919	1,056,835
Professional fees	-	116,833	51,499	168,332	289,128
	<u>-</u>	<u>1,326,808</u>	<u>1,126,685</u>	<u>2,453,493</u>	<u>2,565,722</u>
Board governance					
Honoraria (Note 6)	-	114,223	-	114,223	117,045
Meeting expenses	-	8,004	-	8,004	6,935
	<u>-</u>	<u>122,227</u>	<u>-</u>	<u>122,227</u>	<u>123,980</u>
Premises operations					
Rent	-	118,454	72,653	191,107	189,377
Utilities	-	1,170	848	2,018	3,967
Business taxes	-	4,948	3,342	8,290	6,379
Repairs and maintenance	-	8,002	133	8,135	9,612
	<u>-</u>	<u>132,574</u>	<u>76,976</u>	<u>209,550</u>	<u>209,335</u>
General and administration					
Sponsorships	-	22,764	97,446	120,210	209,684
Travel expenses	-	63,213	60,312	123,525	115,714
Telecommunications	-	46,113	32,707	78,820	48,026
Technical support	-	53,441	59,572	113,013	125,501
Leasing	-	9,675	5,923	15,598	84,194
Insurance	-	23,662	12,448	36,110	15,957
Conferences and training	-	29,210	88,500	117,710	84,185
Licenses and permits	-	483	772	1,255	4,502
Journals, subscriptions, research and memberships	-	12,602	49,866	62,468	28,134
Office administration	-	17,334	24,943	42,277	51,325
Public education	-	59,716	197,541	257,257	130,124
Amortization	-	121,347	-	121,347	102,676
	<u>-</u>	<u>459,560</u>	<u>630,030</u>	<u>1,089,590</u>	<u>1,000,022</u>
Total disbursements	<u>-</u>	<u>2,041,244</u>	<u>3,956,074</u>	<u>5,997,318</u>	<u>3,979,059</u>
Excess (deficiency) of revenue over expenditures	<u>\$ -</u>	<u>\$ (26,276)</u>	<u>\$ (2,158,711)</u>	<u>\$ (2,184,987)</u>	<u>\$ (920,430)</u>

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

**Climate Change Central
Statement of Cash Flows**

For the year ended December 31

	Restricted Funds			Total	Total
	General Fund 2004	Operating Fund 2004	Program Fund 2004	2004	2003
Cash from operating activities					
Excess (deficiency) of revenue over expenditures	\$ -	\$ (26,276)	\$ (2,158,711)	\$ (2,184,987)	\$ (920,430)
Amortization of property and equipment	-	121,347	-	121,347	102,676
Decrease (increase) in accounts receivable	-	(198,849)	(65,561)	(264,410)	(15,067)
Decrease (increase) in marketable securities	-	189,853	2,874,914	3,064,767	986,099
Decrease in prepaids	-	15,048	-	15,048	(3,194)
Increase (decrease) in accounts payable	-	10,595	180,151	190,746	(53,226)
Net cash generated through operating activities	<u>-</u>	<u>111,718</u>	<u>830,793</u>	<u>942,511</u>	<u>96,858</u>
Investing activity					
Purchase of property and equipment	<u>-</u>	<u>(75,986)</u>	<u>-</u>	<u>(75,986)</u>	<u>(126,878)</u>
Net increase (decrease) in cash	<u>-</u>	<u>35,732</u>	<u>830,793</u>	<u>866,525</u>	<u>(30,020)</u>
Cash at beginning of year	1,250	357,583	(147,523)	211,310	241,330
Transfer of Funds	<u>(1,250)</u>	<u>-</u>	<u>1,250</u>	<u>-</u>	<u>-</u>
Cash at end of year	<u>\$ -</u>	<u>\$ 393,315</u>	<u>\$ 684,520</u>	<u>\$ 1,077,835</u>	<u>\$ 211,310</u>

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

**Climate Change Central
Statement of Changes in Fund Balances**

For the year ended December 31

	<u>Invested in Property and Equipment</u>	<u>Restricted for Operations</u>	<u>Restricted for Programs</u>	<u>Unrestricted</u>	<u>Total 2004</u>	<u>Total 2003</u>
Balance, beginning of year	\$ 228,399	\$ 644,600	\$ 3,319,935	\$ 1,250	\$4,194,184	\$ 5,114,614
Excess (deficiency) of revenue over expenditures	(121,348) (1)	95,072	(2,158,711)	-	(2,184,987)	(920,430)
Transfer of funds	-	-	1,250	(1,250)	-	-
Purchase of property and equipment	<u>75,986</u> (2)	<u>(75,986)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 183,037</u>	<u>\$ 663,686</u>	<u>\$ 1,162,474</u>	<u>\$ -</u>	<u>\$2,009,197</u>	<u>\$ 4,194,184</u>

- (1) Consists of amortization expense
(2) Consists of purchases

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

December 31, 2004

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. The Organization is to act as a catalyst for, and a coordinator of, activities undertaken by Alberta individuals, business institutions, and government to reduce greenhouse gas emissions and to increase Alberta's Environmental Energy Advantage. 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 Provincial Government expires on June 30, 2005. 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.

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.

The Program Fund accounts for funds received for specific projects and related expenses.

The Operating Fund accounts for the Organization's operations (see Note 5).

(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.

December 31, 2004

2. Significant Accounting Policies - continued

(c) Cash

Cash consists of cash on hand, less cheques issued in excess of bank balances.

(d) Marketable Securities

Marketable securities are stated at the lower of cost and market value.

(e) 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. The following rates 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

(f) Contributed Services

Volunteers contribute significant hours to Climate Change Central to assist the Organization in carrying out its mandate. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

(g) Financial Instruments

The Organization carries a number of financial instruments, all held at one financial institution. The fair values of these financial instruments approximate their carrying values, unless otherwise noted. The Organization is exposed to the risks of the financial institution.

3. Marketable Securities

Marketable securities consist of premium money market fund investments invested in a Canadian Chartered Bank.

**Climate Change Central
Notes to Financial Statements**

December 31, 2004

4. Property and Equipment

	<u>2004</u>		<u>2003</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Furniture and fixtures	\$ 296,517	\$ 199,983	\$ 271,591	\$ 143,306
Office equipment	3,888	3,388	3,888	2,610
Leasehold improvements	80,376	76,095	80,375	49,303
Computer hardware	116,879	54,118	70,770	30,930
Computer software	56,597	37,636	51,646	23,722
	<u>\$ 554,257</u>	<u>\$ 371,220</u>	<u>\$ 478,270</u>	<u>\$ 249,871</u>
Net Book Value		\$ 183,037		\$ 228,399

5. Funding Agreements

- (a) **Provincial:** 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 'Province'), the Province provided to the Organization the sum of \$6,000,000 to establish an Operating Fund, (the "Operating Fund").

In March 2002, the Organization received an additional \$2,000,000 and, in May 2004, the Organization received a further contribution of \$2,000,000. Both of these contributions were to be spent in accordance with the "Funding Agreement" dated July 13, 2000.

The Operating Fund may be applied to reasonable start up and administrative costs of the Organization for the purposes of its establishment and its operations in furtherance of the objectives set forth in the Funding Agreement. These objectives are consistent with the business plan and strategic plan as may be in effect from time to time. All income earned by the investment of the Operating Fund shall form part of the Operating Fund.

Unless terminated sooner, in accordance with the Provincial Funding Agreement or by mutual agreement of the Province and the Organization, the Funding Agreement shall end on June 30, 2005. At this time, the Province may require the Organization to pay to the Province all or any portion of the Operating Fund that has not been expended or committed to be expended. The Organization has granted to the Province a security interest in its present and after acquired personal property.

For program funding, in April, 2001, the Province granted the Organization \$1,605,000 which was extended to June 30, 2005. In March, 2002, the Province granted the Organization \$875,000 for specific programs. Both of these funds were completely utilized by December 31, 2004. In November, 2003, the Province granted the Organization \$2,500,000 for specific programs of direct interest of both the Province and the Organization and for other programs that are consistent with the overall corporate mandate and objectives of the Organization. In September, 2004, the Province granted the Organization \$500,000 to support energy efficiency and offset protocol development. Any remaining funds from these grants may be repaid at the request of the Province.

- (b) **Federal:** The Organization negotiates contribution agreements for each program that receives federal funding. The Organization incurs program expenses and submits invoices to the federal government for reimbursement in accordance with the contribution agreement.

**Climate Change Central
Notes to Financial Statements**

December 31, 2004

6. Salaries and Benefits – Directors and President

	2004			2003
	Co-Chair and Directors' Remuneration	Benefits	Total	Total
Co-Chairs	\$ 8,000	\$ -	\$ 8,000	\$ 9,607
Directors	102,704	3,519	106,223	107,438
	<u>\$ 110,704</u>	<u>\$ 3,519</u>	<u>\$ 114,223</u>	<u>\$ 117,045</u>
President	\$ 222,538	\$ 12,996	\$ 235,534	\$ 218,247

1. Co-Chair and Directors' remuneration include retainer and chair fees, meeting attendance and conference call meeting participation.
2. Co-Chair and Directors' benefits are employer and employee contributions to CPP.
3. President's benefits include vehicle costs and employer's contributions to RRSP.

7. 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:

1. Calgary: Leases for the main floor and third floor offices expire on June 30, 2005 with options to renew. The main floor office lease will be renewed. Negotiations are in progress to lease larger office space on the second floor and to relinquish the current lease on the third floor. It is assumed that this plan will proceed, and the rate will be as per the proposed renewal offer to lease. Therefore, estimated costs for base rent, occupancy costs, parking and taxes, over five years, will be:

2005	\$168,200
2006	\$217,317
2007	\$221,919
2008	\$226,870
2009	\$228,740

2. Edmonton: Estimated costs for base rent, occupancy costs and parking are:

2005	\$45,530
2006	\$43,450 (for 11 months)

(b) Equipment

The Organization's commitments on operating leases for office equipment are \$8,244 for 2005.

December 31, 2004

11. Energy Efficiency and Conservation Incentives

In 2004, the Organization launched and partnered in several programs whereby incentives were paid to effect changes in behaviour and technology to reduce greenhouse gas emissions. Reported in the statement of operations as energy efficiency and conservation incentives are the incentives paid plus specific program expenses. Also reported in the statement of operations, under revenue, are the provincial grants and federal reimbursements supplied to support these programs.

12. Comparative Amounts

Certain comparative amounts have been re-classified to conform to the current year's presentation.

13. Subsequent Events

- (a) In January, 2005, an agreement was signed between the Organization and the Minister of Municipal Affairs concerning funds for the 2004/2005 program year for the Municipal Energy Efficiency Assistance Program (ME first!). This agreement will prompt the payment of \$250,000 to the Organization to cover costs for program delivery and promotion. This contribution will be recognized as revenue when it is received. However, in 2004, from September to December, costs of \$82,500 have been incurred and are included in the 2004 results of the Organization for this program.
- (b) Included in the Accounts Receivable for the Operating Fund and the Accounts Payable in the Program Fund is a balance of \$216,803. This balance represents the net effect of cash transfers to the Operating Fund and expense allocations to the Program Fund for human resource and administration costs paid through the Operating Fund. In January, 2005, funds will be transferred from the program fund to the operating fund to satisfy this balance owing.