

**Climate Change Central**  
**Financial Statements**  
For the year ended December 31, 2005

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## Auditors' Report

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### To the Board of Directors of Climate Change Central

We have audited the statement of financial position of Climate Change Central as at December 31, 2005 and the statements of operations, cash flows and changes in fund balances for the year then ended. These financial statements are the responsibility of the Organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2005, the results of its operations, cash flows and the changes in its fund balances for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO Dunwoody LLP*  
**Chartered Accountants**


Calgary, Alberta  
March 2, 2006

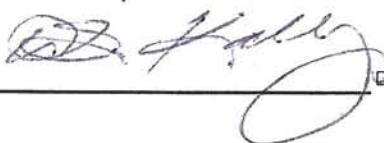
**Climate Change Central  
Statement of Financial Position**

**December 31**

	Operating Fund 2005	Program Fund 2005	Total 2005	Total 2004
<b>Assets</b>				
<b>Current</b>				
Cash	\$ 519,626	\$ 393,056	\$ 912,682	\$ 1,077,835
Marketable securities (Note 3)	215,220	187,531	402,751	830,492
Accounts receivable (Note 4)	118,980	446,125	565,105	370,174
Prepaid expenses	11,342	-	11,342	13,708
	<u>865,168</u>	<u>1,026,712</u>	<u>1,891,880</u>	<u>2,292,209</u>
Property and equipment (Note 5)	<u>232,372</u>	<u>-</u>	<u>232,372</u>	<u>183,037</u>
	<u>\$ 1,097,540</u>	<u>\$ 1,026,712</u>	<u>\$ 2,124,252</u>	<u>\$ 2,475,246</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
<b>Current</b>				
Accounts payable and accrued liabilities (Note 4)	\$ 204,864	\$ 271,254	\$ 476,118	\$ 466,049
Current portion of deferred leasehold inducements (Note 6)	16,256	-	16,256	-
	<u>221,120</u>	<u>271,254</u>	<u>492,374</u>	<u>466,049</u>
Deferred leasehold inducements (Note 6)	<u>58,248</u>	<u>-</u>	<u>58,248</u>	<u>-</u>
<b>Fund balances</b>				
Invested in property and equipment	232,372	-	232,372	183,037
Restricted fund balances (Note 11)	585,800	755,458	1,341,258	1,826,160
	<u>818,172</u>	<u>755,458</u>	<u>1,573,630</u>	<u>2,009,197</u>
	<u>\$ 1,097,540</u>	<u>\$ 1,026,712</u>	<u>\$ 2,124,252</u>	<u>\$ 2,475,246</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**

	Operating Fund 2005	Program Fund 2005	Total 2005	Total 2004
<b>Revenue</b>				
Provincial grants	\$ 2,000,000	\$ 1,575,000	\$ 3,575,000	\$ 2,500,000
Federal government support	-	852,896	852,896	1,163,384
Municipal government support	-	72,176	72,176	-
Conference fees and sponsorships	285	127,974	128,259	102,095
Other income	24,614	17,776	42,390	9,761
Interest income	13,291	11,940	25,231	37,091
<b>Total revenue</b>	<u>2,038,190</u>	<u>2,657,762</u>	<u>4,695,952</u>	<u>3,812,331</u>
<b>Expenditures</b>				
Energy efficiency and conservation incentives (Note 13)	300	1,264,972	1,265,272	2,122,458
<b>Contracts, wages and benefits</b>				
Wages and benefits	1,113,603	814,421	1,928,024	1,771,242
Contracts	92,103	334,798	426,901	513,919
Professional fees	119,345	40,115	159,460	168,332
	<u>1,325,051</u>	<u>1,189,334</u>	<u>2,514,385</u>	<u>2,453,493</u>
<b>Board governance</b>				
Honoraria (Note 8)	131,435	-	131,435	114,223
Meeting expenses	13,230	-	13,230	8,004
	<u>144,665</u>	<u>-</u>	<u>144,665</u>	<u>122,227</u>
<b>Premises operations</b>				
Rent	123,259	91,357	214,616	191,107
Utilities	-	-	-	2,018
Business taxes	6,614	4,575	11,189	8,290
Repairs and maintenance	1,504	223	1,727	8,135
	<u>131,377</u>	<u>96,155</u>	<u>227,532</u>	<u>209,550</u>
<b>General and administration</b>				
Sponsorships	32,878	20,235	53,113	120,210
Travel expenses	73,799	116,794	190,593	123,525
Telecommunications	48,972	29,698	78,670	78,820
Technical support	52,187	102,220	154,407	113,013
Leasing	9,455	7,495	16,950	15,598
Insurance	19,985	12,070	32,055	36,110
Conferences and training	10,534	10,872	21,406	117,710
Licenses and permits	-	-	-	1,255
Journals, subscriptions, research and memberships	8,323	21,092	29,415	62,468
Office administration	30,587	21,509	52,096	42,277
Public education	66,798	172,332	239,130	257,257
Amortization	111,830	-	111,830	121,347
	<u>465,348</u>	<u>514,317</u>	<u>979,665</u>	<u>1,089,590</u>
<b>Total disbursements (Deficiency) of revenue over expenditures</b>	<u>\$ (28,551)</u>	<u>\$ (407,016)</u>	<u>\$ (435,567)</u>	<u>\$ (2,184,987)</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**

	Operating Fund 2005	Program Fund 2005	Total 2005	Total 2004
<b>Operating activities</b>				
(Deficiency) of revenue over expenditures	\$ ( 28,551)	\$ ( 407,016)	\$ ( 435,567)	\$ ( 2,184,987)
Amortization of property and equipment	111,830	-	111,830	121,347
Amortization of deferred leasehold inducements (Note 6)	(4,064)	-	(4,064)	-
Decrease (increase) in accounts receivable	111,026	(305,957)	(194,931)	(264,410)
Decrease (increase) in marketable securities	(62,216)	489,957	427,741	3,064,767
Decrease in prepaids	2,366	-	2,366	15,048
Increase (decrease) in accounts payable	78,517	(68,448)	10,069	190,746
Net cash used through operating activities	<u>208,908</u>	<u>(291,464)</u>	<u>(82,556)</u>	<u>942,511</u>
<b>Financing activity</b>				
Deferred leasehold inducements (Note 6)	78,568	-	78,568	-
<b>Investing activities</b>				
Purchase/sale/loss of equipment	(167,215)	-	(167,215)	(75,986)
Recovery/loss on disposal of equipment	5,050	-	5,050	-
Proceeds on sale of equipment	1,000	-	1,000	-
Net cash used through Investing activities	<u>(161,165)</u>	<u>-</u>	<u>(161,165)</u>	<u>(75,986)</u>
<b>Net increase (decrease) in cash</b>	<u>126,311</u>	<u>(291,464)</u>	<u>(165,153)</u>	<u>866,525</u>
Cash at beginning of year	<u>393,315</u>	<u>684,520</u>	<u>1,077,835</u>	<u>211,310</u>
<b>Cash at end of year</b>	<u>\$ 519,626</u>	<u>\$ 393,056</u>	<u>\$ 912,682</u>	<u>\$ 1,077,835</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**

	Invested in Property and Equipment	Restricted for Operations	Restricted for Programs	Unrestricted	Total 2005	Total 2004
Balance, beginning of year	\$ 183,037	\$ 663,686	\$ 1,162,474	\$ -	\$ 2,009,197	\$ 4,194,184
Excess (deficiency) of revenue over expenditures	(111,830)	(1) 83,279	(407,016)	-	(435,567)	(2,184,987)
Purchase/sale of equipment	161,165	(2) (161,165)	-	-	-	-
Balance, end of year	<u>\$ 232,372</u>	<u>\$ 585,800</u>	<u>\$ 755,458</u>	<u>\$ -</u>	<u>\$ 1,573,630</u>	<u>\$ 2,009,197</u>

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

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

**December 31, 2005**

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**1. Operations**

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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 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, 2006. 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**

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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 2005.

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

The Operating Fund accounts for the Organization's operations (see Note 7).

(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.

(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.

**December 31, 2005**

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**2. Significant Accounting Policies - Continued**

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(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) Deferred Leasehold Inducements

Deferred leasehold inducements represent cash benefits the Organization has received from the landlord pursuant to an operating lease agreement for office premises. These inducements are amortized against rent expense over the term of the lease.

(g) Contributed Services

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

(h) 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.

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**3. Marketable Securities**

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

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**4. Accounts Receivable and Accounts Payable**

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Included in the Accounts Receivable for the Operating Fund and the Accounts Payable for the Program Fund is a balance of \$110,767 (2004 - \$216,803). 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 for human resources and overhead.

Climate Change Central  
Notes to Financial Statements

December 31, 2005

5. Property and Equipment

	2005		2004	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 318,768	\$ 244,553	\$ 296,517	\$ 199,983
Office equipment	12,337	4,868	3,888	3,388
Leasehold improvements	174,091	90,528	80,376	76,095
Computer hardware	139,284	82,081	116,879	54,118
Computer software	62,921	52,999	56,597	37,636
	<u>\$ 707,401</u>	<u>\$ 475,029</u>	<u>\$ 554,257</u>	<u>\$ 371,220</u>
Net Book Value		\$ 232,372		\$ 183,037

6. Deferred Leasehold Inducements

	2005	2004
Deferred leasehold inducements	\$ 78,568	\$ -
Accumulated amortization	(4,064)	-
	74,504	-
Less: Current portion	(16,256)	-
Long term portion of deferred leasehold inducements	<u>\$ 58,248</u>	<u>\$ -</u>

7. 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").

To date, the Organization has received an additional \$6,000,000 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 to further 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.

**Climate Change Central  
Notes to Financial Statements**

**December 31, 2005**

**7. Funding Agreements - Continued**

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, 2006. 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, from April 2001 to December 31, 2005, the Province has granted the Organization \$6,280,000. 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 receiving federal funds. The Organization incurs program expenses and submits invoices to the federal government for reimbursement in accordance with the contribution agreement.

**8. Salaries and Benefits – Directors and President**

	2005			2004
	Co-Chair and Directors' Remuneration	Benefits	Total	Total
<b>Co-Chairs</b>	\$ 39,708	\$ -	\$ 39,708	\$ 38,084
<b>Directors</b>	87,030	4,697	91,727	76,139
	\$ 126,738	\$ 4,697	\$ 131,435	\$ 114,223
<b>President</b>	\$ 187,586	\$ 19,809	\$ 207,395	\$ 235,534
<b>President, Acting</b>	\$ 14,231	\$ 1,209	\$ 15,440	\$ -

- (a) Co-Chair and Directors' remuneration include retainer and chair fees, meeting attendance and conference call meeting participation.
- (b) Co-Chair and Directors' benefits are employer contributions to CPP.
- (c) President's benefits include vehicle costs, health club membership, RRSP, CPP and EI employer matching. The President terminated his employment on November 10, 2005. Included in the benefit calculation is the employer RRSP match for 2005 paid to his plan administrator in 2006.
- (d) On November 10, 2005, an Acting President was appointed by the Board for the interim period.

**December 31, 2005**

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**9. Commitments**

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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: In 2005, the Organization entered into a new lease agreement with current landlord for Suite 100 and Suite 275 of 999 – 8<sup>th</sup> Street S.W. The lease on both suites will expire June 30, 2010. The lease payment includes base rent, occupancy costs, parking and non-recoverable taxes.

2006	\$221,659
2007	\$226,600
2008	\$232,509
2009	\$234,474
2010	\$ 95,364 (January to June 30, 2010)

2. Edmonton: This lease will expire November 30, 2006. The commitment required from January 1, 2006 to November 30, 2006 is \$45,380.

- (b) Equipment: In 2005, during renovations, the telephone hardware and service plans were changed for both offices. The communications hardware and service between Calgary and Edmonton offices were also upgraded. The Mobile phones were also replaced and new service plans were set up. In addition, photocopiers at both offices were replaced under operating leases. The anticipated commitments are:

2006	\$29,970
2007	\$25,290
2008	\$25,290
2009	\$11,597

(c) Automotive

The Organization's commitment on a vehicle operating lease expiring April 16, 2008 is as follows:

2006	\$6,668
2007	\$6,668
2008	\$1,944

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**10. Share Capital**

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Share Capital is not disclosed on the statement of financial position as per disclosure requirements for not-for-profit organizations.

Authorized:	100,000 common voting shares with a nominal or par value of \$1.00 each
Issued:	200 common voting shares with a nominal or par value of \$200 in total

**December 31, 2005**

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**11. Restricted Fund Balances**

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As disclosed in Note 7, the Operating Fund expenditures must be consistent with the business plan and strategic plan of the Organization and the Operating Fund Agreement with the Province.

The Program Fund may only be applied consistent with the terms of each program grant.

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**12. Contingent Liability**

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As discussed in Note 7, the Organization may be required to repay to the Province all or any portion of the Operating Fund that has not been expended or committed to be expended by June 30, 2006. The Program Funds not expended at the completion of programs may be refunded at the request of the Assistant Deputy Minister of Alberta Environment.

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**13. Energy Efficiency and Conservation Incentives**

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In 2005, the Organization launched and partnered in several incentive programs to effect changes in behaviour and technology to reduce greenhouse gas emissions. Reported in the statement of operations under 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 and municipal reimbursements supplied to support these programs.

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**14. Comparative Amounts**

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

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