NEI Association Inc.
Financial Statements
October 31, 2023

Contents

To the Board of NEI Association Inc.:

Opinion

We have audited the financial statements of NEI Association Inc. (the "Association"), which comprise the statement of financial position as at October 31, 2023, and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, 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 Association as at October 31, 2023, and the results of its operations and its cash flows for the year 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 Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Prior Period Adjustment

We draw attention to Note 8 in these financial statements which describes how comparative information for the year ended has been restated. Our opinion has not been modified in respect of this.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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.

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 Association'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 Association'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 Association 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.

Mount Pearl, Newfoundland and Labrador

Chartered Professional Accountants

NEI Association Inc.
Statement of Financial Position
As at October 31, 2023

	2023	2022 (Restated)
Assets		
Current		
Cash	**2,444,857**	108,186
Term deposits *(Note 3)*	**101,350**	100,587
Accounts receivable *(Note 4) (Note 8)*	**378,373**	528,667
Harmonized sales tax receivable *(Note 8)*	**102,138**	236,642
Prepaid expenses	**6,061**	6,712
	3,032,779	980,794
Property, plant and equipment *(Note 5)*	**11,385**	15,176
	3,044,164	995,970
Liabilities		
Current		
Accounts payable and accrued liabilities	**224,336**	12,570
Deferred contributions *(Note 6) (Note 8)*	**2,241,510**	293,701
Wages payable	**23,424**	5,885
Employee deductions payable	**22,631**	-
	2,511,901	312,156
Net Assets		
General fund	**532,263**	683,814
	3,044,164	995,970

Approved on behalf of the Board

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Director

The accompanying notes are an integral part of these financial statements

NEI Association Inc.
Statement of Revenues and Expenses
For the year ended October 31, 2023

	2023	*2022 (Restated)*
Revenue		
Grant revenue *(Note 8)*	**2,637,675**	2,346,925
Memberships *(Note 8)*	**58,455**	50,728
Rental income *(Note 8)*	**46,200**	59,400
Interest income	**2,434**	585
	2,744,764	2,457,638
Expenses		
Advertising and promotion	**38,122**	28,529
Amortization	**3,791**	4,383
Bad debts	**-**	3,019
Bank charges and interest	**5,224**	3,513
Conferences, workshops and seminars	**120,992**	81,229
Fees and dues	**14,124**	10,708
Insurance	**8,156**	8,109
International consultants	**265,352**	351,733
Miscellaneous	**7,501**	3,350
Office	**34,422**	67,798
Professional fees *(Note 8)*	**1,426,783**	1,069,063
Rent	**108,425**	99,000
Salaries and benefits	**745,612**	469,869
Training and education	**2,667**	15,700
Travel	**114,450**	47,877
Utilities	**694**	212
	2,896,315	2,264,092
Excess (deficiency) of revenue over expenses	**(151,551)**	193,546

The accompanying notes are an integral part of these financial statements

NEI Association Inc.
Statement of Changes in Net Assets
For the year ended October 31, 2023

	2023	*2022 (Restated)*
Net assets, beginning of year	**798,036**	490,268
Prior period adjustment *(Note 8)*	**(114,222)**	-
Net assets as restated *(Note 8)*	**683,814**	490,268
Excess (deficiency) of revenue over expenses	**(151,551)**	193,546
Net assets, end of year	**532,263**	683,814

The accompanying notes are an integral part of these financial statements

NEI Association Inc.
Statement of Cash Flows
For the year ended October 31, 2023

	2023	2022 (Restated)
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	**(151,551)**	193,546
Amortization	**3,791**	4,383
	(147,760)	197,929
Changes in working capital accounts		
Accounts receivable	**150,294**	(385,256)
Harmonized sales tax receivable	**134,504**	(144,583)
Prepaid expenses	**651**	7,886
Accounts payable and accrued liabilities	**211,766**	3,471
Deferred contributions	**1,947,809**	19,875
Wages payable	**17,539**	(1,434)
Employee deductions payable	**22,631**	-
	2,337,434	(302,112)
Financing		
Repayment of long-term debt	**-**	(40,000)
Investing		
Purchase of property, plant and equipment	**-**	(4,367)
Increase (decrease) in cash resources	**2,337,434**	(346,479)
Cash resources, beginning of year	**208,773**	555,252
Cash resources, end of year	**2,546,207**	208,773
Cash resources are composed of:		
Cash total	**2,444,857**	108,186
Term deposits	**101,350**	100,587
	2,546,207	208,773

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

NEI Association Inc. (the "Association") was incorporated without share capital and is registered as a not-for-profit organization and thus is exempt from income taxes under section 149(1) of the *Income Tax Act*.

The Association operates to provide programs promoting the growth and development of the environmental industry in Newfoundland and Labrador.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, which are part of Canadian generally accepted accounting principles, and include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include balances with banks net of outstanding withdrawals and deposits and term deposits measured at cost with maturities of one year or less, valued at cost.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

The Association regularly reviews its property plant and equipment to eliminate obsolete items. Government grants are treated as a reduction of property, plant and equipment cost.

Computer equipment	55 %
Furniture and fixtures	20 %

Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income is recognized as revenue when earned.

Membership fees are recognized as revenue over the fiscal year to which they relate.

Rental revenue is recognized in the period covered by the rental payment which is on a monthly basis.

Grant revenue is recognized in the period in which the related expenditures are incurred.

Seminar and luncheon registrations, sponsorships, and event funding are recognized as revenue when received or receivable.

Deferred contributions

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred contributions and reported on the Statement of Financial Position.

Government assistance

Government assistance is recognized when there is reasonable assurance that the Association has complied and will continue to comply with all the conditions of assistance.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity 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 contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of property, plant and equipment. Accruals are recorded based on historical cost, and expenses occurring during the year that have not yet been billed.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the years in which they become known.

Financial instruments

The Association recognizes financial instruments when the Association becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Association may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Association has not made such an election during the year.

The Association subsequently measures all financial assets and liabilities at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess (deficiency) of revenue over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment

The Association assesses impairment of all its financial assets measured at cost or amortized cost. The Association groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors; no asset is individually significant. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Association determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

Any impairment, which is not considered temporary, is included in current year excess (deficiency) of revenue over expenses.

The Association reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in excess (deficiency) of revenue over expenses in the year the reversal occurs.

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates.

3. Term deposits

	2023	2022
Measured at cost:		
Guaranteed investment certificate at an interest rate of 3% per annum, maturing May 21, 2024.	**36,106**	35,828
Guaranteed investment certificate at an interest rate of 2.25% per annum, maturing July 11, 2024.	**6,296**	6,227
Guaranteed investment certificate at an interest rate of 2.75% per annum, maturing May 21, 2024.	**58,948**	58,532
	101,350	100,587

The prior year term deposits matured during the current fiscal year and were reinvested.

4. Accounts receivable

	2023	2022 (Restated)
Accounts receivable	**63,083**	40,353
Accrued funding receivable	**315,290**	488,314
	378,373	528,667

5. Property, plant and equipment

	Cost	**Accumulated amortization**	**2023 Net book value**	2022 Net book value
Computer equipment	**19,898**	**18,926**	**972**	2,160
Furniture and fixtures	**38,214**	**27,801**	**10,413**	13,016
	58,112	**46,727**	**11,385**	15,176

6. Deferred contributions

Revenues received that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the Statement of Financial Position. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

	2023	2022 (Restated)
Balance, beginning of year	**293,701**	273,826
Amount received during the year	**4,072,449**	534,158
Less: Amount recognized as revenue during the year	**(2,124,640)**	(514,283)
Balance, end of year	**2,241,510**	293,701

7. Financial instruments

The Association, as part of its operations, carries a number of financial instruments. It is management's opinion that the Association is not exposed to significant interest, currency, credit, or other price risks arising from these financial instruments except as otherwise disclosed.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from members. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Association has a significant number of members which minimizes concentration of credit risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Association is exposed to interest rate price risk on its term deposits. Management believes this risk is minimal. There is no change in the risk exposure from the prior year.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Association is exposed to currency risk on purchases made in foreign currency while travelling. Management believes this risk is minimal. There is no change in the risk exposure from the prior year.

8. Prior period adjustments

During the year, it was noted that there was $85,263 of revenues in the year ended October 31, 2022 that were recognized in error. The prior year expenses were understated by $28,959 relating to an overstatement of harmonized sales tax receivable. The net impact of these errors resulted in a prior period adjustment to correct the excess of revenues over expenses in 2022 of $114,222.

As a result of these errors, 2022's statement of financial position has been restated to reflect an increase in accounts receivable of $62,406, a decrease in harmonized sales tax receivable of $28,998, and an increase in deferred contributions of $147,631.

Additionally, in 2022, membership revenue of $50,728, and rental income of $59,400 were included in grant revenue. These revenue streams have been presented on the current year statement of revenue and expenses.

The comparative figures have been restated as follows to conform to the correct balances for October 31, 2022:

	2022 as restated	*2022 as previously reported*
Accounts receivable	**528,667**	466,261
Harmonized sales tax receivable	**236,642**	265,640
Total assets	**995,970**	962,562
Deferred contributions	**293,701**	146,070
Total liabilities	**312,156**	164,523
Grant revenue	**2,346,925**	2,542,316
Memberships	**50,728**	-
Rental income	**59,400**	-
Total revenue	**2,457,638**	2,542,901
Professional fees	**1,069,063**	1,040,104
Total expenses	**2,264,092**	2,235,133
Excess (deficiency) of revenue over expenses	**193,546**	307,768
Net assets, end of year	**683,814**	798,039