NEI Association Inc.

Financial Statements

October 31, 2024

Contents

Independent Auditor's Report

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, 2024, and the statement of revenue and expenses, changes in net assets and cash flows for the year then ended, and 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, 2024, 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.

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.

MNP LLP
Suite 201, 1090 Topsail Road, Mount Pearl NL, A1N 5E7
T: 709.747.7777 F: 709.747.3841

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, 2024

	2024	2023
Assets		
Current		
Cash	**1,426,412**	2,444,857
Term deposits ***(Note 3)***	**100,255**	101,350
Accounts receivable ***(Note 4)***	**340,087**	378,373
Harmonized sales tax receivable	**46,519**	102,138
Prepaid expenses	**6,061**	6,061
	1,919,334	3,032,779
Property, plant and equipment *(Note 5)*	**8,768**	11,384
	1,928,102	3,044,163
Liabilities		
Current		
Accounts payable and accrued liabilities	**750,134**	224,335
Deferred contributions *(Note 6)*	**579,864**	2,241,510
Wages payable	**-**	23,424
Employee deductions payable	**34,485**	22,631
	1,364,483	2,511,900
Commitment *(Note 8)*		
Net Assets	**563,619**	532,263
	1,928,102	3,044,163

Approved on behalf of the Board

____

Director

The accompanying notes are an integral part of these financial statements

NEI Association Inc.
Statement of Revenue and Expenses
For the year ended October 31, 2024

	2024	***2023***
Revenue		
Grant revenue ***(Note 7)***	**3,657,267**	2,513,376
Sponsorship	**187,803**	60,692
Memberships	**60,232**	58,455
Seminar and luncheon	**88,044**	63,607
Rental income	**16,200**	46,200
Interest income	**1,575**	2,434
	4,011,121	2,744,764
Expenses		
Advertising and promotion	**28,075**	38,122
Amortization	**2,617**	3,791
Bad debts	**975**	-
Bank charges and interest	**5,058**	5,224
Conferences, workshops and seminars	**133,959**	120,992
Fees and dues	**27,572**	14,124
Insurance	**2,401**	8,156
International consultants	**78,858**	265,352
Miscellaneous	**12,111**	7,501
Office	**19,671**	34,422
Professional fees *(Note 7)*	**2,212,365**	1,426,783
Rent	**89,278**	108,425
Salaries and benefits *(Note 7)*	**1,268,526**	745,612
Training and education	**6,717**	2,667
Travel	**91,331**	114,450
Utilities	**251**	694
	3,979,765	2,896,315
Excess (deficiency) of revenue over expenses	**31,356**	(151,551)

NEI Association Inc.
Statement of Changes in Net Assets
For the year ended October 31, 2024

	2024	***2023***
Net assets, beginning of year	**532,263**	798,036
Correction of errors *(Note 10)*	**-**	(114,222)
Net assets, beginning of year, as restated	**532,263**	683,814
Excess (deficiency) of revenue over expenses	**31,356**	(151,551)
Net assets, end of year	**563,619**	532,263

NEI Association Inc.
Statement of Cash Flows
For the year ended October 31, 2024

	2024	2023
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	**31,356**	(151,551)
Amortization	**2,617**	3,791
	33,973	(147,760)
Changes in working capital accounts		
Accounts receivable	**38,286**	150,295
Harmonized sales tax receivable	**55,619**	134,504
Prepaid expenses	**-**	651
Accounts payable and accrued liabilities	**525,798**	211,766
Deferred contributions	**(1,661,646)**	1,947,809
Wages payable	**(23,424)**	17,539
Employee deductions payable	**11,854**	22,631
	(1,019,540)	2,337,435
Investing		
Purchase of term deposits	**(100,255)**	(101,350)
Proceeds on disposal of term deposits	**101,350**	100,586
	1,095	(764)
Increase (decrease) in cash resources	**(1,018,445)**	2,336,671
Cash resources, beginning of year	**2,444,857**	108,186
Cash resources, end of year	**1,426,412**	2,444,857

The accompanying n*otes 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 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 cash and term deposits measured at cost with maturities of three months or less.

Property, plant and equipment

Property, plant and equipment are initially recorded at cost.

Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Computer equipment	55 %
Furniture and fixtures	20 %

Long-lived assets

Long-lived assets consist of property, plant and equipment. Long-lived assets held for use are measured and amortized as described in the applicable accounting policy.

The Association writes down long-lived assets held for use when conditions indicate that the asset no longer contributes to the Association's ability to provide goods and services. The asset are also written-down when the value of future economic benefits or service potential associated with the asset is less than its net carrying amount. When the Association determines that a long-lived asset is impaired, its carrying amount is written down to the asset's fair value.

Deferred contributions

Deferred contributions represents revenues received that have been set aside for specific purposes by legislation, regulation or agreement and are recognized in the period in which the related expenditures are incurred.

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.

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

Unrestricted grant revenue is recognized as revenue when received or receivable.

Seminar and luncheon registrations, sponsorships, and event funding are recognized as revenue when the corresponding event occurs.

2. Significant accounting policies *(Continued from previous page)*

Government assistance

Government assistance is recognized when there is reasonable assurance that the Association has complied and will continue to comply with all of the conditions necessary to obtain the assistance and collection is reasonably assured. Government assistance is recorded as revenue on the statements of revenues and expenses.

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Association's operations and would otherwise have been purchased.

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. Accrued liabilities 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 of revenues 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, etc. 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; etc. 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.

2. Significant accounting policies ***(Continued from previous page)***

Financial instruments ***(Continued from previous page)***

The Association reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

Any impairment, which is not considered temporary, is included in current year excess of revenues 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 of revenues over expenses in the year the reversal occurs.

Foreign currency translation

These financial statements have been presented in Canadian dollars, the principal currency of the Association's operations.

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

3. Term deposits

	2024	*2023*
Measured at cost:		
Guaranteed investment certificate at an interest rate of 4.00% per annum, maturing May 21, 2025.	**35,629**	-
Guaranteed investment certificate at an interest rate of 4.60% per annum, maturing July 6, 2025.	**6,393**	-
Guaranteed investment certificate at an interest rate of 3.45% per annum, maturing May 21, 2025.	**58,233**	-
Guaranteed investment certificate at an interest rate of 3.00% per annum, matured during the year.	**-**	36,106
Guaranteed investment certificate at an interest rate of 2.25% per annum, matured during the year.	**-**	6,296
Guaranteed investment certificate at an interest rate of 2.75% per annum, matured during the year.	**-**	58,948
	100,255	101,350

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

4. Accounts receivable

	2024	*2023*
Accounts receivable	**95,043**	26,381
Accrued funding receivable	**27,027**	-
Government assistance receivable	**218,017**	351,992
	340,087	378,373

5. Property, plant and equipment

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Computer equipment	**19,898**	**19,460**	**438**	972
Furniture and fixtures	**38,214**	**29,884**	**8,330**	10,412
	58,112	**49,344**	**8,768**	11,384

6. Deferred contributions

	2024	2023
Balance, beginning of year	**2,241,510**	293,701
Amount received during the year	**1,244,575**	4,072,449
Less: Amount recognized as revenue during the year	**(2,906,221)**	(2,124,640)
Balance, end of year	**579,864**	2,241,510

7. Contributed services

During the year the Association received in-kind contributions for various purposes. Included in grant revenue are in-kind contributions of $313,295 (2023 - nil) for salaries and benefits and professional fees for the Holyrood project.

8. Commitment

The Association has entered into a rental lease agreement with estimated minimum annual payments as follows:

2025	56,800

9. 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, liquidity 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 and government assistance receivable. For member receivables, 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. For government assistance, the risk is that expenses incurred will not qualify for the related project and therefore the assistance is not collected. To minimize this risk, the Association hires project managers and reviews expenses paid prior to making a claim.

The Association is exposed to concentration risk on its cash and term deposits in that they are held with one financial institution. To minimize the credit risk the Association places cash with a high quality financial institution of Canada.

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.

10. Correction of errors

During the prior year it was determined that revenues of $85,263 were recognized in error in the year ended October 31, 2022. The October 31, 2022 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 revenues over expenses in 2022 of $114,222.

11. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.