

**LOCAL INITIATIVE FOR FUTURE ENERGY
CO-OPERATIVE INC.**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED NOVEMBER 30, 2018

DRAFT

LOCAL INITIATIVE FOR FUTURE ENERGY CO-OPERATIVE INC.
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YEAR ENDED NOVEMBER 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of: Local Initiative for Future Energy Co-operative Inc.

Opinion

We have audited the accompanying financial statements of Local Initiative for Future Energy Co-operative Inc., which comprise the balance sheet as at November 30, 2018 and the statements of earnings and deficit and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Local Initiative for Future Energy Co-operative Inc. as at November 30, 2018 and results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis of 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 Local Initiative for Future Energy Co-operative Inc. 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 private enterprises 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 Local Initiative for Future Energy Co-operative Inc.'s ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Local Initiative for Future Energy Co-operative Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Local Initiative for Future Energy Co-operative Inc.'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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at RLB LLP's website at: www.rlb.ca/additional-auditor-responsibilities. This description forms part of our auditor's report.

Guelph, Ontario
June 25, 2019

Chartered Professional Accountants
Licensed Public Accountants

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LOCAL INITIATIVE FOR FUTURE ENERGY CO-OPERATIVE INC.**BALANCE SHEET****AS AT NOVEMBER 30, 2018**

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 66,785	\$ 118,547
Accounts receivable	26,491	19,689
Prepaid expenses	3,237	3,228
Due from related parties (note 6)	<u>44,904</u>	<u>44,904</u>
	141,417	186,368
LONG TERM INVESTMENTS (note 8)	15	15
CAPITAL ASSETS (note 3)	1,171,823	1,273,344
LOANS RECEIVABLE	<u>296,320</u>	<u>259,408</u>
	<u>\$ 1,609,575</u>	<u>\$ 1,719,135</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 6,617	\$ 25,396
Current portion of long term debt (note 4)	<u>0</u>	<u>9,934</u>
	6,617	35,330
LOANS PAYABLE TO RELATED PARTIES (note 6)	<u>1,208,148</u>	<u>1,330,374</u>
	<u>1,214,765</u>	<u>1,365,704</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 5)	687,425	688,125
CONTRIBUTED SURPLUS (note 5)	1,400	1,400
DEFICIT	<u>(294,015)</u>	<u>(336,094)</u>
	<u>394,810</u>	<u>353,431</u>
	<u>\$ 1,609,575</u>	<u>\$ 1,719,135</u>

LOCAL INITIATIVE FOR FUTURE ENERGY CO-OPERATIVE INC.
STATEMENT OF EARNINGS AND DEFICIT
FOR THE YEAR ENDED NOVEMBER 30, 2018

	2018	2017
REVENUE		
Solar project generation revenue	\$ 243,946	\$ 254,775
Dividend income	55,809	54,540
Grant revenue	20,387	0
Interest income	11,349	854
	<u>331,491</u>	<u>310,169</u>
OPERATING EXPENSES		
Amortization	101,521	101,537
Interest on long term debt	79,350	89,686
Consulting fees (note 6)	44,393	57,721
Solar project operating costs	11,467	12,903
Professional fees	10,093	21,967
Office	4,533	4,257
Insurance	4,255	4,217
Rent	720	2,910
Memberships and dues	624	673
Interest and bank charges	442	113
Advertising and promotion	359	1,094
Conferences and travel expense	0	34
	<u>257,757</u>	<u>297,112</u>
NET EARNINGS for the year	73,734	13,057
DEFICIT, beginning of year	(336,094)	(349,151)
DIVIDENDS	<u>(31,655)</u>	<u>0</u>
DEFICIT, end of year	<u>\$ (294,015)</u>	<u>\$ (336,094)</u>

LOCAL INITIATIVE FOR FUTURE ENERGY CO-OPERATIVE INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED NOVEMBER 30, 2018

	2018	2017
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net earnings for the year	\$ 73,734	\$ 13,057
Items not requiring an outlay of cash		
Amortization	<u>101,521</u>	<u>101,537</u>
	175,255	114,594
Changes in non-cash working capital		
Accounts receivable	(6,802)	(4,834)
Prepaid expenses	(9)	(12)
Due from related parties	0	10,088
Accounts payable and accrued liabilities	<u>(18,779)</u>	<u>10,248</u>
	<u>149,665</u>	<u>130,084</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Long term debt	(9,934)	(34,342)
Loans payable to related parties	(122,226)	(56,524)
Share capital issued (redeemed)	(700)	320,275
Dividends declared	<u>(31,655)</u>	<u>0</u>
	<u>(164,515)</u>	<u>229,409</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to capital assets (net)	0	(50,000)
Loans receivable	<u>(36,912)</u>	<u>(259,408)</u>
	<u>(36,912)</u>	<u>(309,408)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(51,762)	50,085
NET CASH AND CASH EQUIVALENTS, beginning of year	<u>118,547</u>	<u>68,462</u>
NET CASH AND CASH EQUIVALENTS, end of year	<u>\$ 66,785</u>	<u>\$ 118,547</u>

LOCAL INITIATIVE FOR FUTURE ENERGY CO-OPERATIVE INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2018

1. NATURE OF BUSINESS

Local Initiative for Future Energy Co-operative Inc. is incorporated under the laws of Ontario. The co-operative is engaged in development of renewable energy projects in southwestern Ontario.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for private enterprises and include the following significant accounting policies:

(a) CAPITAL ASSETS

Capital assets are recorded at cost and amortized on the basis of their estimated useful life using the following methods and rates:

Solar equipment	- 15 years straight line basis
Computer hardware	- 30 % declining balance basis

Amortization is recorded on computer hardware at 50% of the above rate in the year of addition.

(b) INCOME TAXES

The co-operative applies the income taxes payable method of accounting for income taxes.

(c) GOVERNMENT ASSISTANCE

Capital asset grants are accounted for as a reduction of the cost of capital assets. Operational grants for current expenses are accounted for as revenue in the period the expenses are incurred.

(d) INVESTMENTS

The co-operative accounts for its investment in equity instruments (notes receivable and private company shares) at cost less any reduction for impairment.

(e) JOINT VENTURES AND LIMITED PARTNERSHIP INTERESTS

The co-operative is a party to various joint ventures and limited partnerships relating to various solar projects. The revenues, expenses, assets, liabilities and equity of each of these is accounted for using the proportionate consolidation method, representing the co-operative's proportionate share of these joint ventures and limited partnerships.

(f) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring management's estimates include the useful lives of capital assets. Actual results could differ from those estimates.

LOCAL INITIATIVE FOR FUTURE ENERGY CO-OPERATIVE INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The co-operative initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The co-operative subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable, due from related parties, loans receivable and long term investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, long term debt and loans payable to related parties.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If an impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write-down is recognized in net earnings. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net earnings.

Transaction costs

The co-operative recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2018	Net 2017
Solar equipment	\$ 1,565,217	\$ 393,479	\$ 1,171,738	\$ 1,273,222
Computer hardware	<u>861</u>	<u>776</u>	<u>85</u>	<u>122</u>
	<u>\$ 1,566,078</u>	<u>\$ 394,255</u>	<u>\$ 1,171,823</u>	<u>\$ 1,273,344</u>

LOCAL INITIATIVE FOR FUTURE ENERGY CO-OPERATIVE INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2018

4. LONG TERM DEBT

	2018	2017
Wellington-Waterloo Community Futures Development Corporation loan bearing interest at 3%, due July 15, 2018, secured by a general security agreement and letters of personal guarantee by Board members	\$ 0	\$ 3,934
Clean Energy Development Bonds payable bearing interest paid annually at 10% per annum, with principal due in 2017 (note 6)	<u>0</u>	<u>6,000</u>
	0	9,934
Less current portion:		
Cash repayments required within 12 months	<u>0</u>	<u>9,934</u>
	<u>\$ 0</u>	<u>\$ 0</u>

5. SHARE CAPITAL

Authorized:

- 7,000 Membership shares at a par value of \$75 each
- 4,000 Class A.1 preference shares at a par value of \$50 each
- 100,000 Class A.2 preference shares at a par value of \$50 each
- 100,000 Class A.3 preference shares at a par value of \$50 each
- 200,000 Class A.4 preference shares at a par value of \$50 each

	2018	2017
Issued:		
455 Membership shares (2017 - 451)	\$ 34,125	\$ 33,825
2,792 Class A.1 preference shares (2017 - 2,812)	139,600	140,600
3,650 Class A.2 preference shares (2017 - 3,650)	182,500	182,500
6,624 Class A.3 preference shares (2017 - 6,624)	<u>331,200</u>	<u>331,200</u>
	<u>\$ 687,425</u>	<u>\$ 688,125</u>

In prior years, eight members withdrew their memberships but had not requested refunds for their shares. These shares have a value of \$1,400 and are recorded as contributed surplus.

6. RELATED PARTY TRANSACTIONS

The co-operative conducts a portion of its business activities with related parties. During the year, consulting and other fees of \$44,393 (2016 - \$57,721) were paid to a consulting company whose principal shareholder is a co-operative member. These transactions were in the normal course of operations and were measured at the exchange value, which is the amount of consideration established and agreed to by the related parties, which approximates the arm's length equivalent value.

Amounts due from related parties represent temporary loans to subsidiary corporations and are non-interest bearing and do not have fixed terms of repayment.

The co-operative has borrowed from the other parties in various joint venture arrangements for its share of each joint venture's solar equipment. These loans are repayable over 15 year terms with interest rates ranging from 6% to 9%.

LOCAL INITIATIVE FOR FUTURE ENERGY CO-OPERATIVE INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2018

7. FINANCIAL INSTRUMENTS

Unless otherwise noted, it is management's opinion that the co-operative is not exposed to significant interest, credit, currency, liquidity, or other price risks arising from its financial instruments.

The extent of the co-operative's exposure to these risks did not change in 2018 compared to the previous period.

The co-operative does not have a significant exposure to any individual customer or counterpart.

8. LONG TERM INVESTMENTS

Long term investments consist of:

	2018	2017
Investment in LIFE Solar 1 Inc.	\$ 5	\$ 5
Investment in LIFE Solar 2 Inc.	5	5
Investment in LIFE Solar 3 Inc.	<u>5</u>	<u>5</u>
	<u>\$ 15</u>	<u>\$ 15</u>

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