

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED NOVEMBER 30, 2017

LOCAL INITIATIVE FOR FUTURE ENERGY CO-OPERATIVE INC.

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YEAR ENDED NOVEMBER 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

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, 2017 and the statements of earnings and deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.



Guelph, Ontario
June 28, 2018

Chartered Professional Accountants
Licensed Public Accountants

LOCAL INITIATIVE FOR FUTURE ENERGY CO-OPERATIVE INC.**BALANCE SHEET****AS AT NOVEMBER 30, 2017**

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 118,547	\$ 68,462
Accounts receivable	19,689	14,855
Prepaid expenses	3,228	3,216
Due from related parties (note 6)	<u>44,904</u>	<u>54,992</u>
	186,368	141,525
LONG TERM INVESTMENTS (note 8)	15	15
CAPITAL ASSETS (note 3)	1,273,344	1,324,881
LOANS RECEIVABLE	<u>259,408</u>	<u>0</u>
	<u><u>\$ 1,719,135</u></u>	<u><u>\$ 1,466,421</u></u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 25,396	\$ 15,148
Current portion of long term debt (note 4)	<u>9,934</u>	<u>40,368</u>
	35,330	55,516
LONG TERM DEBT (note 4)	0	3,908
LOANS PAYABLE TO RELATED PARTIES (note 6)	<u>1,330,374</u>	<u>1,386,898</u>
	<u>1,365,704</u>	<u>1,446,322</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 5)	688,125	367,850
CONTRIBUTED SURPLUS (note 5)	1,400	1,400
DEFICIT	<u>(336,094)</u>	<u>(349,151)</u>
	<u>353,431</u>	<u>20,099</u>
	<u><u>\$ 1,719,135</u></u>	<u><u>\$ 1,466,421</u></u>

LOCAL INITIATIVE FOR FUTURE ENERGY CO-OPERATIVE INC.
STATEMENT OF EARNINGS AND DEFICIT
FOR THE YEAR ENDED NOVEMBER 30, 2017

	2017	2016
REVENUE		
Solar project generation revenue	\$ 254,775	\$ 268,317
Dividend income	54,540	44,727
Interest income	854	218
Sales of interests in joint ventures	0	2,438
Grant revenue	<u>0</u>	<u>428</u>
	<u>310,169</u>	<u>316,128</u>
OPERATING EXPENSES		
Amortization	101,537	98,251
Interest on long term debt	89,686	99,488
Consulting fees (note 6)	57,721	46,245
Professional fees	21,967	16,407
Solar project operating costs	12,903	13,931
Office	4,257	1,346
Insurance	4,217	3,748
Rent	2,910	3,000
Advertising and promotion	1,094	5,787
Memberships and dues	673	1,100
Interest and bank charges	113	316
Conferences and travel expense	<u>34</u>	<u>0</u>
	<u>297,112</u>	<u>289,619</u>
NET EARNINGS for the year	13,057	26,509
DEFICIT, beginning of year	(349,151)	(351,822)
DIVIDENDS	<u>0</u>	<u>(23,838)</u>
DEFICIT, end of year	<u>\$ (336,094)</u>	<u>\$ (349,151)</u>

LOCAL INITIATIVE FOR FUTURE ENERGY CO-OPERATIVE INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED NOVEMBER 30, 2017

	2017	2016
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net earnings for the year	\$ 13,057	\$ 26,509
Items not requiring an outlay of cash		
Amortization	<u>101,537</u>	<u>98,251</u>
	114,594	124,760
Changes in non-cash working capital		
Accounts receivable	(4,834)	97,937
Prepaid expenses	(12)	(626)
Due from related parties	10,088	(3,642)
Accounts payable and accrued liabilities	10,248	(111,184)
Due to related parties	<u>0</u>	<u>(5,501)</u>
	<u>130,084</u>	<u>101,744</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Long term debt	(34,342)	(14,914)
Loans payable to related parties	(56,524)	(109,161)
Share capital issued (redeemed)	320,275	8,650
Dividends declared	<u>0</u>	<u>(23,838)</u>
	<u>229,409</u>	<u>(139,263)</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to capital assets (net)	(50,000)	938
Loans receivable	<u>(259,408)</u>	<u>0</u>
	<u>(309,408)</u>	<u>938</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	50,085	(36,581)
NET CASH AND CASH EQUIVALENTS, beginning of year	<u>68,462</u>	<u>105,043</u>
NET CASH AND CASH EQUIVALENTS, end of year	<u>\$ 118,547</u>	<u>\$ 68,462</u>

LOCAL INITIATIVE FOR FUTURE ENERGY CO-OPERATIVE INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2017

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, 2017

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 2017	Net 2016
Solar equipment	\$ 1,565,217	\$ 291,995	\$ 1,273,222	\$ 1,324,706
Computer hardware	<u>861</u>	<u>739</u>	<u>122</u>	<u>175</u>
	<u>\$ 1,566,078</u>	<u>\$ 292,734</u>	<u>\$ 1,273,344</u>	<u>\$ 1,324,881</u>

LOCAL INITIATIVE FOR FUTURE ENERGY CO-OPERATIVE INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2017

4. LONG TERM DEBT

	2017	2016
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	\$ 3,934	\$ 19,276
Clean Energy Development Bonds payable bearing interest paid annually at 10% per annum, with principal due in 2017 (note 6)	<u>6,000</u>	<u>25,000</u>
	9,934	44,276
Less current portion:		
Cash repayments required within 12 months	<u>9,934</u>	<u>40,368</u>
	<u>\$ 0</u>	<u>\$ 3,908</u>

Future minimum payments on long term obligations are as follows:

2018	\$ <u>9,934</u>
	<u>\$ 9,934</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

	2017	2016
Issued:		
451 Membership shares (2016 - 442)	\$ 33,825	\$ 33,150
2,812 Class A.1 preference shares (2016 - 2,824)	140,600	141,200
3,650 Class A.2 preference shares (2016 - 3,710)	182,500	185,500
6,624 Class A.3 preference shares (2016 - 160)	<u>331,200</u>	<u>8,000</u>
	<u>\$ 688,125</u>	<u>\$ 367,850</u>

During the year, the co-operative issued 9 Membership shares for consideration of \$675 and 6,464 Class A.3 preference shares for consideration of \$323,200, and redeemed 12 Class A.1 preference shares, valued at \$600, and 60 Class A.2 preference shares, valued at \$3,000.

During the prior year, the co-operative issued 10 Membership shares for consideration of \$750 and 160 Class A.3 preference shares for consideration of \$8,000, and redeemed 2 Class A.1 preference shares, valued at \$100.

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.

LOCAL INITIATIVE FOR FUTURE ENERGY CO-OPERATIVE INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2017

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 \$57,721 (2016 - \$46,245) 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 issued Clean Air Development Bonds to members valued at \$25,000, of which \$19,000 have been repaid. These bonds are to provide capital towards the sustainable energy projects which the co-operative plans to undertake in future years.

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%.

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 2017 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:

	2017	2016
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>