

**CANADIAN URBAN TRANSIT
RESEARCH & INNOVATION
CONSORTIUM**

FINANCIAL STATEMENTS

December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Canadian Urban Transit Research & Innovation Consortium:

Report on the Financial Statements

We have audited the accompanying financial statements of the Canadian Urban Transit Research & Innovation Consortium, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net assets 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 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.

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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Urban Transit Research & Innovation Consortium as at December 31, 2017, 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.

Toronto, Ontario
April 27, 2018

Bass Murphy & Partners
Chartered Professional Accountants, LLP
Licensed Public Accountants

**CANADIAN URBAN TRANSIT RESEARCH & INNOVATION
CONSORTIUM
STATEMENT OF FINANCIAL POSITION**

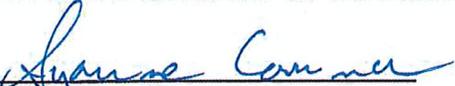
as at December 31, 2017

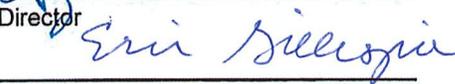
	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 147,047	\$ 142,737
Investments - restricted (Note 2)	3,220,815	-
Amounts receivable (Note 3)	1,542,182	1,633,900
Prepaid expenses	47,588	923
	<u>4,957,632</u>	<u>1,777,560</u>
CAPITAL ASSETS		
	-	2,088
	<u>\$ 4,957,632</u>	<u>\$ 1,779,648</u>

LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 96,931	\$ 51,237
Deferred revenue - unrestricted (Note 7)	47,500	61,000
Deferred revenue - restricted (Note 8)	4,663,816	1,600,000
	<u>4,808,247</u>	<u>1,712,237</u>
LOAN PAYABLE		
	-	35,631
	<u>4,808,247</u>	<u>1,747,868</u>

NET ASSETS		
Net assets - unrestricted	149,385	31,780
	<u>\$ 4,957,632</u>	<u>\$ 1,779,648</u>

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:


Director


Director

BASS MURPHY & PARTNERS
CHARTERED PROFESSIONAL ACCOUNTANTS, LLP

**CANADIAN URBAN TRANSIT RESEARCH & INNOVATION
CONSORTIUM
STATEMENT OF CHANGES IN NET ASSETS**

for the year ended December 31, 2017

	2017	2016
NET ASSETS (DEBT), beginning of year	\$ 31,780	\$ (58,222)
Surplus of revenues over expenses	117,605	90,002
NET ASSETS, end of year	\$ 149,385	\$ 31,780

**CANADIAN URBAN TRANSIT RESEARCH & INNOVATION
CONSORTIUM
STATEMENT OF OPERATIONS**

for the year ended December 31, 2017

	2017	2016
REVENUES		
Membership fees (Note 7)	\$ 492,833	\$ 289,500
Government funding (Notes 4 & 8)	377,636	137,735
Sponsorship	18,590	1,000
Fee-for-service	10,269	8,400
Forum registration fees	-	13,253
	899,328	449,888
EXPENSES		
Staffing costs	522,047	227,249
Travel	91,714	50,001
Office and general	62,997	12,484
Consulting fees	33,973	29,345
Meetings and events	32,627	21,958
Professional fees	20,050	3,950
Project development	11,725	2,100
Insurance	2,183	1,562
Amortization of capital assets	2,088	1,044
Advertising and promotion	1,650	9,914
Interest and bank charges	669	279
	781,723	359,886
SURPLUS OF REVENUES OVER EXPENSES	\$ 117,605	\$ 90,002

**CANADIAN URBAN TRANSIT RESEARCH & INNOVATION
CONSORTIUM**

STATEMENT OF CASH FLOWS

for the year ended December 31, 2017

	2017	2016
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES		
Surplus of revenues over expenses	\$ 117,605	\$ 90,002
Adjustment for items not affecting current cash flow:		
Amortization of capital assets	2,088	1,044
	119,693	91,046
Changes in non-cash working capital items:		
Amounts receivable	91,718	(1,619,775)
Prepaid expenses	(46,665)	(923)
Accounts payable and accrued liabilities	45,694	45,663
Deferred revenue - unrestricted	(13,500)	61,000
Deferred revenue - restricted	3,063,816	1,600,000
	3,260,756	177,011
CASH FLOW USED IN INVESTING ACTIVITIES		
Purchase of capital assets	-	(3,132)
Purchase of investments	(3,220,815)	-
	(3,220,815)	(3,132)
CASH FLOW USED IN FINANCING ACTIVITIES		
Repayments of loan payable	(35,631)	(31,142)
INCREASE IN CASH DURING THE YEAR	4,310	142,737
CASH, beginning of year	142,737	-
CASH, end of year	\$ 147,047	\$ 142,737

CANADIAN URBAN TRANSIT RESEARCH & INNOVATION CONSORTIUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

The Canadian Urban Transit Research and Innovation Consortium ("CUTRIC") is a not-for-profit consortium, incorporated on September 16, 2014 without share capital, under the Canada Not-for-Profit Corporations Act ("NFP Act"). CUTRIC is exempt from income taxes under section 149(1)(l) of the Income Tax Act (Canada).

CUTRIC's vision is to make Canada a global leader in transportation-related research. CUTRIC's mission is to support research, development and innovation through industry-academic collaborations that bring advanced thinking, design, and manufacturing to Canada's transit and transportation networks.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles.

Revenue Recognition

The consortium follows the deferral method to account for its revenues. Restricted revenue is recognized in the year in which the related expenses are incurred. Unrestricted revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Annual membership fees are recognized as revenue when invoiced except for membership fees received in advance of the year of membership. These fees are deferred to the following year.

Government funding is recognized as revenue when services stipulated by contracts have been provided and specified expenses have been incurred.

Fee-for-service revenues are recognized when the service has been provided to the customer.

Sponsorship revenues are recognized when the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income on investments is restricted to be used according to the Ministry of Economic Development and Growth contract. Accordingly, the interest on investments are accrued as earned at year end, but any amounts not utilized are deferred.

Forum registration fees are recognized at the time the forum takes place.

CANADIAN URBAN TRANSIT RESEARCH & INNOVATION CONSORTIUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services

The work of the consortium is dependent on the services of many volunteers. Since these services are not normally purchased by the consortium and because of the difficulty of determining their fair value, donated services are not recognized in these financial statements.

Investments

The consortium invests in guaranteed investment certificates (GICs), which are fully liquid and yield investment income at market rates. Interest income is accrued and is reinvested as it is earned.

Impairment of Long-Lived Assets

The consortium reviews long-lived assets for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset.

Financial Instruments

The consortium initially measures its financial assets and liabilities at fair value. The consortium subsequently measures all of its financial assets and financial liabilities at amortized cost except investments, which are measured at fair market value.

Financial assets measured at amortized cost include cash and amounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Cash

Cash consists of cash held on deposit with a Canadian chartered bank.

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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of significant judgment include accrued liabilities and deferred revenue. Actual results could differ from these estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

**CANADIAN URBAN TRANSIT RESEARCH & INNOVATION
CONSORTIUM**
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

2. INVESTMENTS - RESTRICTED

The consortium's investments consist of two GICs which are due to mature on January 31, 2018 and August 21, 2018. They bear interest at 0.45% and 0.85% per annum, respectively. These funds are restricted for administering the Ministry of Economic Development and Growth research program described in Note 8.

3. AMOUNTS RECEIVABLE

	<u>2017</u>	<u>2016</u>
Unrestricted:		
Membership fees receivable	\$ 71,408	\$ 33,900
Wage subsidy receivable	12,500	-
GST/HST rebate receivable	8,274	-
	<u>92,182</u>	<u>33,900</u>
Restricted:		
Government Funding receivable - Ministry of Economic Development and Growth (Note 8)	<u>1,450,000</u>	<u>1,600,000</u>
	<u>\$ 1,542,182</u>	<u>\$ 1,633,900</u>

4. GOVERNMENT FUNDING

	<u>2017</u>	<u>2016</u>
(i) Ministry of Economic Development, Employment Employment and Infrastructure	\$ 30,000	\$ 80,000
(ii) Ministry of Economic Development and Growth	347,636	-
(iii) Natural Resources Canada	-	42,369
(iv) Other	-	15,366
	<u>\$ 377,636</u>	<u>\$ 137,735</u>

- (i) During the year, the consortium received \$30,000 (2016 - \$80,000) from the Ministry of Economic Development, Employment and Infrastructure. In exchange, the consortium provided four workshops for industry and academic stakeholders with the objective of identifying, designing, and launching research and development projects in automotive technologies, as well as provide a final report summarizing the outcomes of the workshops.

CANADIAN URBAN TRANSIT RESEARCH & INNOVATION CONSORTIUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

4. GOVERNMENT FUNDING (continued)

- (ii) During the year, the consortium recognized \$347,636 (2016 - \$Nil) of revenues to administer a research funding program on behalf of the Ministry of Economic Development and Growth. Refer to Note 8 for additional details.
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5. FINANCIAL INSTRUMENTS

The consortium is exposed to various risks through its financial instruments. The following analysis provides a measure of the consortium's risk exposure and concentrations at the financial statement date.

Liquidity risk

Liquidity risk is the risk that the consortium will encounter difficulty in meeting obligations associated with its financial liabilities. The consortium is exposed to liquidity risk arising from its financial liabilities. The consortium's ability to meet obligations depends on the receipt of funds from its operations.

Credit risk

Credit risk is the risk that the fair value or future cash flows of a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The consortium is exposed to credit risk arising from its amounts receivable. The consortium's ability to collect the amounts depends on the receipt of funds from its members, government agencies, and customers.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The short-term interest bearing instruments held by the consortium have a limited exposure to interest rate risk due to their short-term maturity.

The only change to the risk exposures from 2016 is the addition of interest rate risk.

It is management's opinion that the consortium is not exposed to significant cash flow, market, or other price risks arising from its financial instruments.

6. COMMITMENT

The consortium is committed to lease payments of \$18,000 in 2018 for the use of its office space. The lease is set to expire October 31, 2018, and is renewed on a monthly basis thereafter.

**CANADIAN URBAN TRANSIT RESEARCH & INNOVATION
CONSORTIUM**
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

7. DEFERRED REVENUE - UNRESTRICTED

Unrestricted deferred revenue includes future membership dues received or receivable as at December 31, 2017. Unrestricted deferred revenue consists of the following:

	<u>2017</u>	<u>2016</u>
Opening deferred revenue - unrestricted	\$ 61,000	\$ -
Add: Membership fees received	479,333	350,500
Less: Membership fees recognized as revenue in year	<u>(492,833)</u>	<u>(289,500)</u>
Ending deferred revenue - unrestricted	<u>\$ 47,500</u>	<u>\$ 61,000</u>

8. DEFERRED REVENUE - RESTRICTED

Restricted deferred revenue includes funding received or receivable for programs which were not complete as at December 31, 2017. Restricted deferred revenue consists of the following:

	<u>2017</u>	<u>2016</u>
Opening deferred revenue - restricted	\$ 1,600,000	\$ -
Add: Government funding received	3,430,000	1,737,735
Interest income earned on government funds	11,452	-
Less: Government funding recognized as revenue in year	<u>(377,636)</u>	<u>(137,735)</u>
Ending deferred revenue - restricted	<u>\$ 4,663,816</u>	<u>\$ 1,600,000</u>

The balance consists of:

	<u>2017</u>	<u>2016</u>
Government funding - restricted		
(i) Project funding for distribution to third parties	4,575,000	1,600,000
(ii) Administrative funding for consortium cost recovery	77,364	-
(iii) Interest income earned on government funds	<u>11,452</u>	<u>-</u>
	<u>\$ 4,663,816</u>	<u>\$ 1,600,000</u>

CANADIAN URBAN TRANSIT RESEARCH & INNOVATION CONSORTIUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

8. DEFERRED REVENUE - RESTRICTED (continued)

- (i) These funds have been received by the consortium from the Ministry of Economic Development and Growth in order to administer a research funding program. The program's objective is to support innovative manufacturing solutions which help decrease fuel consumption and reduce greenhouse gas emissions, use public and private transportation assets more efficiently, and eliminate redundancies in networked vehicular operation. The consortium will be receiving a total of \$10,000,000 in aggregate to administer the program, which is set to expire on June 30, 2021. This balance represents the portion of the funding which is restricted solely for the distribution to other individuals or organizations undergoing research projects addressing the program's objectives. Of the funding received for the program, 91.5% is restricted for this purpose (\$9,150,000 over the duration of the program). No projects have been funded as of December 31, 2017.
 - (ii) These funds have also been received under the same program identified and described in (i) above. This balance represents the portion of the funding which is restricted for the purpose of supporting the consortium's administrative costs incurred in administering the program. Of the funding to be received for the program, 8.5% is restricted for this purpose (\$850,000 over the duration of the program). Administrative costs of \$347,636 (2016 - Nil) were incurred administering the program in the year and are included in the various expense accounts on the statement of operations.
 - (iii) As stipulated in the agreement with the Ministry of Economic Development and Growth, all funding received by the consortium prior to the consortium's immediate need for the funds are to be held in an interest bearing account. The interest generated on these funds may be deducted from future funding to be received, or may be requested to be refunded by the consortium. As such, this interest income is to be deferred until its use in funding research projects or until the Ministry of Economic Development and Growth demands a refund of the interest earned.
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9. COMPARATIVE FIGURES

Some of the comparative figures have been restated to conform with the current year's presentation.
