

**CANADIAN URBAN TRANSIT  
RESEARCH & INNOVATION  
CONSORTIUM**

**FINANCIAL STATEMENTS**

**December 31, 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### *Report on the Audit of the Financial Statements*

#### *Opinion*

We have audited the financial statements of Canadian Urban Transit Research & Innovation Consortium, which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flow 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 organization as at December 31, 2018, and its financial performance 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 organization 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*

We draw your attention to Note 9 of the financial statements which outlines the termination of program funding by the Ministry of Economic Development and Growth effective May 17, 2019. Our opinion is not qualified in respect of this matter.

#### *Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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 organization'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 organization'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 organization 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.

Toronto, Ontario  
May 17, 2019

*Bass Murphy & Partners*

Chartered Professional Accountants, LLP  
Licensed Public Accountants

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

as at December 31, 2018

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents - unrestricted	\$ 44,394	\$ 147,047
Cash and cash equivalents - restricted (Note 2)	6,575,945	-
Investments - restricted	-	3,220,815
Amounts receivable (Note 3)	181,449	1,542,182
Prepaid expenses	59,483	47,588
	<b>\$ 6,861,271</b>	<b>\$ 4,957,632</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 100,695	\$ 96,931
Deferred revenue - unrestricted (Note 7)	34,500	47,500
Deferred revenue - restricted (Note 8)	6,575,945	4,663,816
	<b>6,711,140</b>	<b>4,808,247</b>
<b>NET ASSETS</b>		
Net assets - restricted	-	-
Net assets - unrestricted	150,131	149,385
	<b>150,131</b>	<b>149,385</b>
	<b>\$ 6,861,271</b>	<b>\$ 4,957,632</b>

**APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:**

DocuSigned by:  
Sue Connor  
Director Sue Connor  
DocuSigned by:  
Peter M. Crockett  
Director Peter M. Crockett

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

**for the year ended December 31, 2018**

	<b>2018</b>	<b>2017</b>
<b>NET ASSETS</b> , beginning of year	\$ 149,385	\$ 31,780
<b>SURPLUS OF REVENUES OVER EXPENSES</b>	746	117,605
<b>NET ASSETS</b> , end of year	\$ 150,131	\$ 149,385

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

for the year ended December 31, 2018

	2018	2017
<b>OPERATING REVENUES</b>		
Membership fees (Note 7)	\$ 649,613	\$ 492,833
Government funding - administration (Notes 4 & 8)	289,864	377,636
Fee-for-service	200,078	10,269
Sponsorship	58,354	18,590
	<b>1,197,909</b>	<b>899,328</b>
<b>OPERATING EXPENSES</b>		
Staffing costs	748,092	522,047
Travel	162,680	91,714
Office and general	101,967	62,997
Meetings and events	85,701	32,627
Professional fees	36,747	20,050
Advertising and promotion	33,578	1,650
Consulting fees	18,859	33,973
Project development	5,967	11,725
Insurance	2,321	2,183
Interest and bank charges	1,251	669
Amortization of capital assets	-	2,088
	<b>1,197,163</b>	<b>781,723</b>
<b>SURPLUS OF REVENUES OVER EXPENSES FROM OPERATING ACTIVITIES</b>	<b>746</b>	<b>117,605</b>
<b>FUNDED PROJECTS REVENUE</b>		
Government funding - projects (Notes 4 & 8)	367,019	-
<b>FUNDED PROJECTS EXPENSES</b>		
Labour	14,935	-
Other	352,084	-
	<b>367,019</b>	<b>-</b>
<b>SURPLUS OF REVENUES OVER EXPENSES FROM FUNDED PROJECTS</b>	<b>-</b>	<b>-</b>
<b>TOTAL SURPLUS OF REVENUES OVER EXPENSES</b>	<b>\$ 746</b>	<b>\$ 117,605</b>

**BASS MURPHY & PARTNERS**

CHARTERED PROFESSIONAL ACCOUNTANTS, LLP

# CANADIAN URBAN TRANSIT RESEARCH & INNOVATION CONSORTIUM

## STATEMENT OF CASH FLOWS

for the year ended December 31, 2018

	2018	2017
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Surplus of revenues over expenses	\$ 746	\$ 117,605
Adjustment for items not affecting current cash flow:		
Amortization of capital assets	-	2,088
	746	119,693
Changes in non-cash working capital items:		
Amounts receivable	1,360,733	91,718
Prepaid expenses	(11,895)	(46,665)
Accounts payable and accrued liabilities	3,764	45,694
Deferred revenue - unrestricted	(13,000)	(13,500)
Deferred revenue - restricted	1,912,129	3,063,816
	3,252,477	3,260,756
<b>CASH FLOW FROM (USED IN) INVESTING ACTIVITIES</b>		
Purchase of investments	-	(3,220,815)
Proceeds on sale of investments	3,220,815	-
	3,220,815	(3,220,815)
<b>CASH FLOW USED IN FINANCING ACTIVITIES</b>		
Repayments of loan payable	-	(35,631)
<b>INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>		
	6,473,292	4,310
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	147,047	142,737
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 6,620,339	\$ 147,047
<b>CASH AND CASH EQUIVALENTS CONSISTS OF:</b>		
Cash and cash equivalents - unrestricted	\$ 44,394	\$ 147,047
Cash and cash equivalents - restricted	6,575,945	-
	\$ 6,620,339	\$ 147,047

# CANADIAN URBAN TRANSIT RESEARCH & INNOVATION CONSORTIUM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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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.

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### 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.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents consists of cash held at a Canadian chartered bank and cash held in a high interest savings bank account.



# CANADIAN URBAN TRANSIT RESEARCH & INNOVATION CONSORTIUM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### 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.

#### ***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.

#### ***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.

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### 2. CASH AND CASH EQUIVALENTS - RESTRICTED

This balance consists of funds held on deposit with a Canadian chartered bank in a high interest savings account bearing interest at prime less 2.2%. These funds are restricted for administering the Ministry of Economic Development and Growth research program described in Note 8. At December 31, 2018, the prime rate was approximately 3.95% (2017 - 3.2%).

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# CANADIAN URBAN TRANSIT RESEARCH & INNOVATION CONSORTIUM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

### 3. AMOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
Unrestricted:		
Membership fees receivable	\$ 81,505	\$ 71,408
Fee-for-service receivable	91,699	12,500
GST/HST rebate receivable	<u>8,245</u>	<u>8,274</u>
	181,449	92,182
Restricted:		
Government Funding receivable - Ministry of Economic Development and Growth (Note 8)	<u>-</u>	<u>1,450,000</u>
	<u>\$ 181,449</u>	<u>\$ 1,542,182</u>

### 4. GOVERNMENT FUNDING

During the year, the consortium recognized \$656,883 (2017 - \$347,636) of revenues to administer a research funding program on behalf of the Ministry of Economic Development and Growth (see Note 8).

### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable totaling \$18,129 (2017 - Nil).

### 6. 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.

# CANADIAN URBAN TRANSIT RESEARCH & INNOVATION CONSORTIUM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

### 6. FINANCIAL INSTRUMENTS (continued)

#### ***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 consortium is exposed to interest rate risk in Note 2. Changes in the prime interest rate can cause fluctuations in interest received and cash flows. The company does not use derivative financial instruments to alter the affects of this risk.

Overall, there have been no changes to the consortium's risk exposures from 2017.

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.

### 7. DEFERRED REVENUE - UNRESTRICTED

Unrestricted deferred revenue includes future membership dues received or receivable as at December 31, 2018. Unrestricted deferred revenue consists of the following:

	<u>2018</u>	<u>2017</u>
Opening deferred revenue - unrestricted	\$ 47,500	\$ 61,000
Add: Membership fees received	636,613	479,333
Less: Membership fees recognized as revenue in year	<u>(649,613)</u>	<u>(492,833)</u>
Ending deferred revenue - unrestricted	<u>\$ 34,500</u>	<u>\$ 47,500</u>

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

**December 31, 2018**

**8. DEFERRED REVENUE - RESTRICTED**

Restricted deferred revenue includes funding received or receivable for programs which were not complete as at December 31, 2018. Restricted deferred revenue consists of the following:

	<u>2018</u>	<u>2017</u>
Opening deferred revenue - restricted	\$ 4,663,816	\$ 1,600,000
Add: Government funding received	2,500,000	3,430,000
Interest income earned on government funds	69,012	11,452
Less: Project funding for distribution to third parties recognized as revenue in year	(367,019)	-
Less: Administrative funding for consortium cost recovery recognized as revenue in year	<u>(289,864)</u>	<u>(377,636)</u>
Ending deferred revenue - restricted	<u>\$ 6,575,945</u>	<u>\$ 4,663,816</u>

The balance consists of:

	<u>2018</u>	<u>2017</u>
Government funding - restricted		
(i) Project funding for distribution to third parties	\$ 6,495,481	\$ 4,575,000
(ii) Administrative funding for consortium cost recovery	-	77,364
(iii) Interest income earned on government funds	<u>80,464</u>	<u>11,452</u>
	<u>\$ 6,575,945</u>	<u>\$ 4,663,816</u>

- (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). During the year, the consortium distributed \$367,019 to fund these projects (2017 - Nil). Effective May 17, 2019, the program was terminated as described in Note 9.

# CANADIAN URBAN TRANSIT RESEARCH & INNOVATION CONSORTIUM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### 8. DEFERRED REVENUE - RESTRICTED (continued)

- (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 \$289,864 (2017 - \$377,636) were incurred administering the program in the year and are included in the various expense accounts on the statement of operations. As mentioned in (i) above, refer to Note 9 regarding the termination of the program effective May 17, 2019.
- (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 earned on these funds are to be used by the consortium to support costs of administering the program after transfer payments from the Ministry of Economic Development and Growth cease in June, 2021. As such, this interest income is to be deferred until its use in supporting administrative costs after this time. As mentioned in (i) above, refer to Note 9 regarding the termination of the program effective May 17, 2019.

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### 9. SUBSEQUENT EVENT

On April 16, 2019, the consortium received notice from the Ministry of Economic Development and Growth (MEDG) that the funding for program outlined in Note 8 was to be terminated effective May 17, 2019. As such, all transfer payments from the MEDG after this time will not be paid to the consortium. All unused project funds as at the termination date are to be returned to the MEDG, which at the time of the auditor's report is not yet possible to quantify. It is of management's opinion that the consortium will not face any going concern uncertainties with respect to the termination of this program.

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