

**Canadian Urban Transit Research
& Innovation Consortium
Financial Statements
For the year ended December 31, 2020**

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Independent Auditor's Report

To the Members of Canadian Urban Transit Research & Innovation Consortium

Opinion

We have audited the financial statements of Canadian Urban Transit Research & Innovation Consortium (the Consortium"), which comprise the statement of financial position as at December 31, 2020, and the statements of changes in net assets, operations, 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 Consortium as at December 31, 2020, and its results of 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 Consortium 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 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 Consortium'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 Consortium or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Consortium's financial reporting process.



Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 Consortium'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 Consortium'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 Consortium 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.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Ontario
June 1, 2021

Canadian Urban Transit Research & Innovation Consortium Statement of Financial Position

December 31 **2020** 2019

Assets

Current

Cash - unrestricted	\$ 1,818,189	\$ 907,954
Cash - restricted (Note 2)	2,740,082	3,242,720
Accounts receivable (Note 4)	922,438	707,143
Accrued billings receivable	338,852	835,545
Prepaid expenses	61,820	20,154
	5,881,381	5,713,516

Capital assets (Note 3)

14,926 -

\$ 5,896,307 \$ 5,713,516

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 97,335	\$ 147,091
Deferred revenue - unrestricted (Note 5)	708,929	1,174
Deferred revenue - restricted (Note 6)	2,744,633	3,282,587
	3,550,897	3,430,852

Loan payable (Note 4)

30,000 -

3,580,897 3,430,852

Net Assets

Unrestricted **2,315,410** 2,282,664

\$ 5,896,307 \$ 5,713,516

On behalf of the Board:

_____ Director

_____ Director

**Canadian Urban Transit Research & Innovation Consortium
Statement of Changes in Net Assets**

For the year ended December 31	2020	2019
Net assets , beginning of year	\$ 2,282,664	\$ 150,131
Excess of revenue over expenses for the year	32,746	2,132,533
Net assets , end of year	\$ 2,315,410	\$ 2,282,664

The accompanying notes are an integral part of these financial statements.

Canadian Urban Transit Research & Innovation Consortium Statement of Operations

For the year ended December 31	2020	2019
Revenue		
Membership fees (Note 5)	\$ 648,668	\$ 623,957
Government funding - projects (Note 6)	527,375	3,971,843
Government funding - administration	-	342,606
Fee-for-service	980,459	2,901,508
Sponsorship	63,693	50,248
Other income (Note 4)	388,385	107,380
	2,608,580	7,997,542
Operating expenses		
Amortization of capital assets	5,661	-
Advertising and promotion	228,714	8,762
Bad debt expense	21,985	-
Consulting fees	258,760	170,884
Funded project expenses	527,375	3,971,843
Meetings and events	6,129	155,356
Office and general	143,263	146,580
Professional fees	173,749	177,234
Project development	801	97,048
Salaries and benefits	1,164,189	917,265
Travel	45,208	220,037
	2,575,834	5,865,009
Excess of revenue over expenses for the year	\$ 32,746	\$ 2,132,533

The accompanying notes are an integral part of these financial statements.

Canadian Urban Transit Research & Innovation Consortium Statement of Cash Flows

For the year ended December 31	2020	2019
Cash provided by (used in)		
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 32,746	\$ 2,132,533
Adjustments to reconcile excess of revenue over expenses to net cash provided by (used in) operating activities		
Amortization of capital assets	5,661	-
Forgivable loan	(10,000)	-
Changes in non-cash working capital balances		
Accounts receivable	(215,295)	(617,393)
Accrued billings receivable	496,693	(743,846)
Prepaid expenses	(41,666)	39,329
Accounts payable and accrued liabilities	(49,756)	46,396
Deferred revenue - unrestricted	707,755	(33,326)
Deferred revenue - restricted	(537,954)	(3,293,358)
	<u>388,184</u>	<u>(2,469,665)</u>
Cash flows from investing activity		
Purchase of capital assets	<u>(20,587)</u>	-
Cash flows from financing activity		
Proceeds from loan payable	<u>40,000</u>	-
Increase (decrease) in cash during the year	407,597	(2,469,665)
Cash, beginning of year	<u>4,150,674</u>	<u>6,620,339</u>
Cash, end of year	<u>\$ 4,558,271</u>	<u>\$ 4,150,674</u>
Represented by		
Cash - unrestricted	\$ 1,818,189	\$ 907,954
Cash - restricted	<u>2,740,082</u>	<u>3,242,720</u>
	<u>\$ 4,558,271</u>	<u>\$ 4,150,674</u>

The accompanying notes are an integral part of these financial statements.

Canadian Urban Transit Research & Innovation Consortium

Notes to Financial Statements

December 31, 2020

1. Significant Accounting Policies

Nature of Operations

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.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for non-for-profit.

Revenue Recognition

The Consortium 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.

Membership fees are recognized as revenue in the year to which the membership relates.

Government funding is recognized as revenue when services stipulated by contracts have been provided and specified expenses have been incurred; with any funding received in advance as deferred revenues.

Fee-for-service revenues are recognized when milestones on contracts have been achieved and collection is reasonably assured. Revenue recognized, net of progress billings is reflected as accrued billings receivable.

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

Contributed Services

Volunteers contribute a substantial number of hours each year to assist the Consortium in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Computer hardware	55% diminishing balance basis
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Canadian Urban Transit Research & Innovation Consortium Notes to Financial Statements

December 31, 2020

1. Significant Accounting Policies (continued)

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument for those measured at amortized cost.

Government Assistance

Government assistance is recorded in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Use of Estimates

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Cash - Restricted

The balance consists of funds held on deposit with a Canadian chartered bank in a high interest savings account bearing interest at 2.00%. These funds are restricted for administering the Ministry of Economic Development and Growth ("MEDG") research program. The program was terminated effective May 17, 2019, however, the MEDG has allowed the Consortium to provide funds already committed under this program to other individuals or organizations undergoing research projects addressing the program's objectives.

3. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	\$ 20,587	\$ 5,661	\$ 14,926	\$ -

Canadian Urban Transit Research & Innovation Consortium Notes to Financial Statements

December 31, 2020

4. Government Assistance

During the year, the Association received approximately \$378,385 in financial assistance from the Canadian Emergency Wage Subsidy ("CEWS") program. At year end, the Consortium has a receivable of \$43,503 from the CEWS program. Management of the Consortium does not have an obligation to repay the Government of Canada for these subsidies as they have determined that the Consortium has met all applicable eligibility criteria.

Additionally, the Company received a \$40,000 Canada Emergency Business Account ("CEBA") loan to finance qualifying non-deferrable expenses during COVID-19. The loan is non-interest bearing with no scheduled payments until December 31, 2022. If \$30,000 of the loan has been repaid by that date, the remaining \$10,000 will be forgiven. If the \$30,000 in loan payments have not been made by December 31, 2022, the full outstanding balance will be converted to a 5% interest bearing loan to be repaid in monthly installments over a three year period ending December 31, 2025. The \$10,000 forgivable portion has been recorded in other income. The remaining \$30,000 has been recorded at its fair value at the date the loan was received.

5. Deferred Revenue - Unrestricted

Unrestricted deferred revenue includes membership fees received in advance.

	2020	2019
Balance, beginning of year	\$ 1,174	\$ 34,500
Membership fees received	1,356,423	590,631
Membership fees recognized as revenue during the year	(648,668)	(623,957)
Balance, end of year	\$ 708,929	\$ 1,174

Canadian Urban Transit Research & Innovation Consortium Notes to Financial Statements

December 31, 2020

6. Deferred Revenue - Restricted

Restricted deferred revenue includes funding received, less the costs incurred to date for programs which were not complete as at December 31, 2020.

Restricted deferred revenue consists of the following:

	2020	2019
Balance, beginning of year	3,282,587	6,575,945
Add: Government funding received	-	1,250,000
Interest income earned on government funds	29,288	77,337
Less: Project funding for distribution to third parties recognized as revenue in the year	(527,375)	(3,971,843)
Less: Administrative funding for consortium cost recovery recognized as revenue in the year	-	(106,250)
Less: Excess Government funding returned due to the termination of funding program in the year	-	(306,246)
Less: Administrative and wind-down costs incurred due to the to the termination of funding program	(39,867)	(236,356)
Balance, end of year	\$ 2,744,633	\$ 3,282,587

The balance consists of:

	2020	2019
Government funding - restricted		
(i) Project funding for distribution to third parties	\$ 2,696,624	\$ 3,223,999
(ii) Administrative funding for consortium cost recovery	-	39,867
(ii) Interest income earned on government funds	48,009	18,721
	\$ 2,744,633	\$ 3,282,587

Canadian Urban Transit Research & Innovation Consortium Notes to Financial Statements

December 31, 2020

6. Deferred Revenue - Restricted (continued)

- (i) These funds have been received by the Consortium from the MEDG 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. Effective May 17, 2019, the program was terminated. All unused funding of \$306,246 was returned to the MEDG in 2019. The remaining funds will be distributed to other individuals and organizations undergoing research projects addressing the programs objectives, as committed prior to the termination. During the year, the Consortium distributed \$527,375 (2019 - \$3,971,843) to fund these projects.
- (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 and winding down the program. During the year, the Consortium recognized \$39,867 (2019 - \$236,356) in revenue related to the wind down.
- (iii) As stipulated in the agreement with the MEDG, 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. Included in the repayment of \$306,246 to the MEDG in 2019 was interest earned in the amount of \$139,080.

Canadian Urban Transit Research & Innovation Consortium

Notes to Financial Statements

December 31, 2020

7. Financial Instruments

Liquidity risk

Liquidity risk is the risk that the Consortium may encounter difficulty in meeting its obligations associated with its financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Consortium will not have sufficient funds to settle a transaction on a due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial assets. Liquidity risk arises from the Consortium's accounts payable and accrued liabilities and commitments. This risk has not changed from the prior year.

Credit risk

Credit risk is the risk that one party to 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 resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations. The Consortium's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivables and accrued billings receivable. This risk has not changed from the prior year.

The Consortium is also exposed to credit risk arising from all of its bank accounts being held at one financial institution.

8. Commitments

The Consortium has commitments of \$122,150 for marketing and public relations contracts, which expire between June 2021 and January 2022.

9. Impact of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic which continues to spread throughout Canada and around the world. Management is actively monitoring the global situation on its financial condition, liquidity, operations and business sector. The Consortium largely relies on membership, project and event revenue in order to fulfil its mandate and these revenue sources may be affected due to the current economic environment. During this time, the Consortium is continuing to facilitate events and services virtually as applicable.

As an evolving risk, the duration and full impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of government intervention. Estimates of the extent to which the COVID-19 pandemic may materially impact the Consortium's ability to fulfil its mandate in future periods is also subject to uncertainty. The Consortium is monitoring the impact of the pandemic and is managing expenses and operations accordingly.