

Financial Statements of

# **EMISSIONS REDUCTION ALBERTA**

(Emissions Reduction Alberta is a registered trade name of Climate Change and Emissions Management (CCEMC) Corporation)

Year ended May 31, 2024



**KPMG LLP**

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## **INDEPENDENT AUDITOR’S REPORT**

To the Board of Directors of Emissions Reduction Alberta

### ***Opinion***

We have audited the financial statements of Emissions Reduction Alberta (the “Entity”), which comprise:

- the statement of financial position as at May 31, 2024
- the statement of changes in net assets for the year then ended
- the statement of operations for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at May 31, 2024, 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 auditor’s report.

We are independent of the Entity 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.



### ***Other Information***

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditor's report thereon, included in the 2023-2024 Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the 2023-2024 Annual Report as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

### ***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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity'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 Entity'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 Entity 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.
- 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.

*KPMG LLP*

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Chartered Professional Accountants

Edmonton, Canada

September 23, 2024

# EMISSIONS REDUCTION ALBERTA

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Year ended May 31, 2024

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# EMISSIONS REDUCTION ALBERTA

## Statement of Financial Position

As at May 31, 2024, with comparative information for 2023

	2024	2023
<b>Assets</b>		
Current assets:		
Cash	\$ 157,646,344	\$ 360,866,670
Accounts receivable	104,678	45,968
Grant receivable (note 3)	50,000,000	121,547,541
Interest receivable	9,183,384	3,359,518
Prepaid expenses	205,996	83,358
Short-term investments (note 8)	330,000,000	80,000,000
	<u>547,140,402</u>	<u>565,903,055</u>
Non-current assets		
Property and equipment (note 4)	90,798	53,388
	<u>\$ 547,231,200</u>	<u>\$ 565,956,443</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities (notes 6 and 7)	\$ 6,558,532	\$ 12,595,678
Deferred Revenue	18,500	-
	<u>6,577,032</u>	<u>12,595,678</u>
<b>Net assets</b>		
General fund - unrestricted	\$ (201,883)	(89,561)
Restricted fund (note 5)	540,856,051	553,450,326
	<u>\$ 540,654,168</u>	<u>553,360,765</u>
Commitments (note 7)		
	<u>\$ 547,231,200</u>	<u>\$ 565,956,443</u>

See accompanying notes to financial statements.

On behalf of the Board of Directors:



Director



Director

# EMISSIONS REDUCTION ALBERTA

## Statement of Changes in Net Assets

For the year ended May 31, 2024, with comparative information for 2023

			2024	2023
	General Fund	Restricted Fund	Total	Total
Balance – beginning of year	\$ (89,561)	\$ 553,450,326	\$ 553,360,765	\$ 545,212,681
(Deficiency) Excess of revenue over expenses for the year	(112,322)	(12,594,275)	(12,706,597)	8,148,084
Balance – end of year	\$ (201,883)	\$ 540,856,051	\$ 540,654,168	\$ 553,360,765

See accompanying notes to financial statements.



# EMISSIONS REDUCTION ALBERTA

## Statement of Operations

For the year ended May 31, 2024, with comparative information for 2023

			2024	2023
	General Fund	Restricted Fund	Total	Total
<b>Revenue</b>				
Grant revenue (note 3)	\$ -	\$ 51,880,976	\$ 51,880,976	\$ 82,810,673
Interest income	-	29,693,191	29,693,191	19,190,404
	-	81,574,167	81,574,167	102,001,077
Project expenses (note 7)	-	84,345,763	84,345,763	84,392,184
Deficiency of revenue over project expenses	-	(2,771,596)	(2,771,596)	17,608,893
<b>Operating expenses</b>				
Program management (note 6)	-	7,738,877	7,738,877	7,753,916
Consulting contracted services	-	922,779	922,779	664,026
Corporate costs	-	1,032,687	1,032,687	794,548
Amortization	-	32,335	32,335	30,636
Conference expenses	112,322	-	112,322	89,561
Board remuneration and expenses (note 6)	-	96,001	96,001	128,122
Total operating expenses	112,322	9,822,679	9,935,001	9,460,809
(Deficiency) Excess of revenue over expenses for the year	\$ (112,322)	\$ (12,594,275)	\$ (12,706,597)	\$ 8,148,084

See accompanying notes to financial statements.

# EMISSIONS REDUCTION ALBERTA

## Statement of Cash Flows

For the year ended May 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses for the year	\$ (12,706,597)	\$ 8,148,084
Items not involving cash:		
Amortization of property and equipment	32,335	30,636
Loss on disposal of property and equipment	-	806
Change in non-cash operating working capital:		
Deferred revenue	18,500	-
Accounts receivable	(58,710)	(9,805)
Grant receivable	71,547,541	(82,810,673)
Interest receivable	(5,823,866)	(2,602,740)
Prepaid expenses	(122,638)	(18,119)
Accounts payable and accrued liabilities	(6,037,145)	5,862,737
	46,849,420	(71,399,074)
Investing activities:		
Purchases of property and equipment	(69,746)	(44,100)
Purchase of short-term investments	(330,000,000)	(80,000,000)
Sale of short-term investments	80,000,000	70,000,000
	(250,069,746)	(10,044,100)
Decrease in cash during the year	(203,220,326)	(81,443,174)
Cash, beginning of year	360,866,670	442,309,844
Cash, end of year	\$ 157,646,344	\$ 360,866,670

See accompanying notes to financial statements.

# EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements

Year ended May 31, 2024, with comparative information for 2023

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## 1. Authority:

Climate Change and Emissions Management (CCEMC) Corporation (“CCEMC”) is an Alberta-based, independent, not-for-profit organization incorporated under the Canada Corporations Act on February 17, 2009, and continued under the Canada Not-for-profit Corporations Act on October 14, 2016; its operations commenced on June 1, 2009. On October 21, 2016, CCEMC registered the trade name of Emissions Reduction Alberta (“ERA”) and uses this as its operating name. ERA’s mandate is to identify and accelerate innovative solutions that secure Alberta’s success in a lower carbon economy. The Technology Innovation and Emissions Reductions Fund (formerly the Climate Change and Emissions Management Fund) (the “Fund”) is established under the Emissions Management and Climate Resilience Act, SA 2003, c. E-7.8 (formerly the Climate Change and Emissions Management Act) (the “Act”) by the Government of Alberta to support investment in innovation and clean technologies that will reduce Alberta’s emissions of specified gases and support its ability to adapt to climate change. The Fund provides the primary source of revenue for ERA.

The Government of Alberta and ERA entered into an Agreement dated and effective March 8, 2017, together with an Amending Agreement dated April 21, 2023, for the period up to and including March 31, 2025, with respect to funding under the Emissions Management and Climate Resilience Act. Subsequent to year end, the Government of Alberta and ERA executed an amendment to the Grant agreement, which extended the current grant period up to March 31, 2026.

As a not-for-profit organization, ERA is exempt from tax in accordance with Section 149(1)(l) of the Income Tax Act (Canada).

## 2. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”) in part III of the CPA Canada Handbook. ERA’s significant accounting policies are as follows:

### (a) Fund accounting:

For financial reporting purposes, the accounts have been classified into the following funds:

#### General Fund

The General Fund includes all resources available for immediate purposes and accounts for ERA’s activities other than those directly attributable to funding innovation and clean technologies and adaptation to climate change.

The General Fund includes all unrestricted monies received that are available for use at ERA’s discretion. ERA will be co-hosting the GHGT-17 conference in October 2024. ERA is acting as an agent in these transactions and will record proceeds at the conclusion of the event. Any proceeds received are expected to net against ERA’s contribution currently reflected in the fund.

#### Restricted Fund

The Restricted Fund includes those funds that are to be used to support investment in innovation and clean technologies and adaptation to climate change.

# EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements (Continued)

Year ended May 31, 2024, with comparative information for 2023

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## 2. Significant accounting policies (continued):

### (b) Revenue recognition

These financial statements have been prepared using the restricted fund method of accounting for contributions, the key elements of which are:

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue of the Restricted Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted amounts can only be used for the purposes designated by external parties.

Investment income earned on contributions subject to external restrictions is recorded as revenue of the Restricted Fund in the year it is earned.

For contracts fulfilled over a period of time, ERA recognizes revenue using the percentage of completion method. The degree of completion is determined using an input-based method. In the application of percentage of completion, total expected costs to complete are determined at contract inception and are periodically reviewed. Percentage of completion is then determined based on total costs incurred to date. Funds received prior to the delivery of a milestone will be recorded as deferred revenue until such time as the recognition criteria are met.

### (c) Financial instruments

ERA currently does not hold any equity instruments that would be measured after initial recognition at fair value. Financial assets and financial liabilities are initially recognized at fair value less transaction costs when ERA becomes a party to the contractual provisions of the financial instrument and subsequently are measured at amortized cost with any changes recorded in the Statement of Operations.

### (d) Cash

Cash consists of cash on deposit. Amounts held will be used to fund project funding commitments for executed agreements, approved projects and initiated funding calls as outlined in note 7 to the financial statements.

### (e) Short-term investments

Short-term investments are guaranteed investment certificates ("GICs"). GICs that mature in 12 months or less are measured at cost, recorded as short-term investments and any interest is accrued as earned.

# EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements (Continued)

Year ended May 31, 2024, with comparative information for 2023

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## 2. Significant accounting policies (continued):

(f) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis at the following annual rates:

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Computer equipment and software	3 years
Furniture and fixtures	5 years

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(g) Project expenses and liabilities

Project expenses and the associated project liability (included in accounts payable and accrued liabilities) are recognized on receipt by ERA of a valid project progress report and associated milestone invoices. A commitment for a project expense is disclosed as such when a contribution agreement is executed.

(h) Use of estimates and judgements

The preparation of financial statements in conformity with ASNPO requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Estimates and underlying assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Changes in judgements, estimates and assumptions based on new information could result in a material change to the carrying amount of assets or liabilities and have a material impact on assets, liabilities, revenues, and expenses recognized in future periods.

## 3. Grant revenue:

Funds are granted from the Government of Alberta to ERA on an annual basis through a Grant Agreement. The current Grant Agreement was executed on March 8, 2017, amended on April 21, 2023, and is effective until March 31, 2025.

On March 18, 2024, ERA received a letter confirming an allocation of \$50 million for fiscal year 2023-24. These funds are to be used to execute ERA's business plan, as well as for the purposes stated in the Grant Agreement and the memorandum of understanding. The balance is included as a grant receivable as at May 31, 2024 and was received on July 3, 2024.

# EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements (Continued)

Year ended May 31, 2024, with comparative information for 2023

### 3. Grant revenue (continued):

On January 28, 2021, ERA executed an amendment to the original Delivery Entity Agreement dated February 22, 2019, with respect to funds that are committed to ERA under the Federal Low Carbon Economy Leadership Fund (“LCELf”). Under the amended agreement, the Government of Alberta committed up to \$99.8 million in funding to ERA to support various initiatives including Food, Farming, and Forestry Challenge, Shovel Ready Challenges, Partnership Intake Program (PIP), Energy Savings for Business (ESB), and the Industrial Efficiency Challenge previously committed to in the original Delivery Entity Agreement. Fiscal year 2023-24 was the final year ERA was able to make a claim under the LCELf program and eligible costs claimed under the agreement totaled \$87.2 million. The variance from the original commitment is due to a lack of eligible project spending in the PIP and Shovel Ready - Greenfield programs in the timeframe required for the LCELf funding. In the current fiscal year, ERA has recognized \$1.9 million of LCELf grant revenue (2023 – \$7.8 million). ERA received reimbursement of \$21.2 million (2023 - \$27.3 million) in the current year.

Subsequent to year end, the Government and ERA executed amendments to both the Grant agreement and Memorandum of Understanding (“MOU”). Amendments to the Grant agreement extended the current grant period up to March 31, 2026 and noted that interest amounts earned in a given fiscal year are to be reported to the Government of Alberta and future grant amounts may be adjusted for interest earned in the prior period. The amended MOU provides additional clarity around the roles of both parties.

### 4. Property and equipment:

			2024	2023
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment and software	\$ 110,131	\$ (53,296)	\$ 56,835	\$ 36,322
Furniture and fixtures	89,518	(55,555)	33,963	17,066
	<u>\$ 199,648</u>	<u>\$ (108,851)</u>	<u>\$ 90,798</u>	<u>\$ 53,388</u>

Amortization of \$32,335 (2023 - \$30,636) was recognized in the statement of operations.

### 5. Restricted Fund

The Restricted Fund consists of funds that are externally restricted by the Government of Alberta for the purpose of investing in various initiatives and projects related to reducing emissions of specified gases, supporting Alberta’s ability to adapt to climate change, and other purposes included under section 10(3) of the Act. The funds are also restricted for the purpose of administering ERA, which includes fees, expenses, liabilities, and other costs.

# EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements (Continued)

Year ended May 31, 2024, with comparative information for 2023

## 6. Board and management remuneration

Total honoraria and expenses related to the directors of the board amounted to \$96,001 (2023 – \$128,122) in the fiscal year. Amounts paid to directors relating to reimbursements for meals, travel and accommodation was \$34,363 (2023 – \$58,661). Remuneration paid to directors, or their employers includes honoraria totaling \$58,826 (2023 – \$66,898) as follows:

	2024	2023
S. Applebaum (A)	\$ 410	\$ -
C. Bak	5,921	10,332
V. Bellissimo (B)	4,683	7,727
K. Birn (A)	410	-
M. Blackwell (C)	4,729	-
K. Chisholm (C)	5,099	-
D. Collyer (D)	4,541	11,405
J. Curran (E)	-	-
J. Doucet (F)	1,034	8,090
J. Dyring (G)	6,300	5,621
S. Hastings-Simon (B)	3,335	5,587
C. Mather	8,909	11,481
C. Martineau (A)	410	-
D. Moss	5,879	6,655
K. Ogle (H)	7,166	-
K. Rich (I)	-	-
	<u>\$ 58,826</u>	<u>\$ 66,898</u>

- A) Non board member; committee member only. Appointed October 2023
- B) Board term concluded January 2024
- C) Appointed May 2023
- D) Board chair term concluded September 2023
- E) Appointed August 2022. Honorarium waived
- F) Board term concluded June 2023
- G) Board term concluded May 2024
- H) Board chair; Appointed November 2023
- I) Board term concluded August 2022; Honorarium waived

Included in accounts payable and accrued liabilities is \$1,587 (2023 – \$5,549) related to board honorarium and expenses.

Program management expenses include remuneration to companies owned by senior management who report directly to the board, totaling fees of \$304,999 (2023 – \$333,455); of this amount, \$7,749 (2023 – \$25,417) is included in accounts payable and accrued liabilities.

# EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements (Continued)

Year ended May 31, 2024, with comparative information for 2023

## 7. Commitments and guarantees:

During the year, ERA approved funding for 49 projects, 5 projects were cancelled, 6 projects were terminated, and 9 projects were not initiated. 5 out of the 9 never initiated projects were approved in fiscal year 2023 and remained at the approved status at 2023 year end. Terms used for projects include: Never initiated - cancelled projects without an executed Contribution Agreement; Cancellation - cancelled projects with an executed Contribution Agreement, however no payments are made; Terminated - cancelled projects with an executed Contribution Agreement and payments made for at least one completed milestone.

As at May 31, 2024, ERA has 261 (2022 – 237) executed contribution agreements and has commenced or completed funding for 223 (2022 – 209) of these approved projects. Funding for 38 of the 261 executed projects has not commenced. Total committed funds for executed projects is the difference between the total funding approved for executed contribution agreements and project expenses incurred to date or contribution agreements cancelled. A summary of these amounts (excluding the ESB program) is outlined as follows:

	2024	2023
Total committed funds for executed projects – Beginning of year	\$ 331,013,300	\$ 374,836,902
Total funds for executed projects approved or adjusted during the year	125,876,696	55,334,336
Project expenses incurred during the year	(63,212,043)	(76,557,938)
Contribution agreements cancelled or terminated during the year	(53,751,984)	(22,600,000)
Total committed funds for executed projects – End of year	339,925,969	331,013,300
Total funds for projects approved but not yet executed	41,829,275	34,058,356
Total commitments	\$ 381,755,244	\$ 365,071,656

Funds allocated to the executed contribution agreements are subject to ERA's review and approval prior to disbursement to ensure full compliance with the terms of the contribution agreement. The actual financial commitment could therefore differ materially from \$339,925,966 but will not exceed that amount. Project expenses incurred during the year decreased due to the timing of milestone deliverable completion on active projects. Sufficient funds are held in cash and short-term investments as at May 31, 2024, to service these commitments, approved projects and other initiated commitments. Total project expenses noted above of \$63,212,043 (2023 - \$76,557,938) includes \$3,062,090 of accrued liabilities (2023 - \$2,781,020) and \$2,114,843 accounts payable (2023 – 8,536,818) at year-end. There are 10 projects totaling \$41,829,275 (2023 – \$104,881,299) that have been approved for funding by ERA's Board of Directors but for which contribution agreements have not yet been executed as of May 31, 2024.

Subsequent to year-end on June 19, ERA approved an additional 28 projects, 22 of the projects were approved through the Emerging Innovators Call and 6 through the Partnership Intake Program. Total dollar value approved was \$73,859,848 (2023 - \$34,479,275). These have not been reflected in the above table and are in addition to the total commitments of \$381,755,244.



# EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements (Continued)

Year ended May 31, 2024, with comparative information for 2023

## 7. Commitments and guarantees (continued):

Five of the previously executed projects have been terminated or cancelled, and three approved projects will not proceed, totaling \$37,890,866. Ten approved projects, totaling \$27,352,775, now have executed contribution agreements. As at September 23, 2024, ERA has 25 projects remaining, totaling \$75,995,848, which have been approved for funding by ERA's Board of Directors but for which contribution agreements have not been executed.

In addition to the commitments noted above, ERA has approved incentive funding under the ESB program. This program was launched in November 2020 and is now closed to intake. Projects will complete up to December 2024 and remaining incentive amounts will be paid upon successful completion of the projects. Program close out activities are currently underway. A summary of the ESB funding is outlined below:

	2024	2023
Total incentive funding pre-approved	4,790,802	10,097,581
Total incentive funding post-approved	7,115,675	4,043,223
<b>Total Commitments – End of year</b>	<b>\$ 11,906,477</b>	<b>\$ 14,140,804</b>

Total project expenses of \$84,345,763 includes \$21,133,719 (2023 - \$7,834,246) of payments related to the ESB program. This amount includes \$790,194 accounts payable (2023 – \$109,785) at year-end.

Subsequent to year-end, post-approved funding has decreased by \$4,636,017 for the ESB program as projects got paid and pre-approved funding has decreased by \$2,274,940.

On June 24, 2024, ERA signed an agreement with Natural Resources Canada (NRCan) related to a \$40 million grant for the Greening Industrial Facilities and Manufacturing Program (GIFMP). GIFMP provides financial assistance to support the implementation of energy efficiency and energy management solutions in industrial facilities. This program will be augmented by \$10 million already provided by the Government of Alberta to ERA from the Fund. Design work for this program has been initiated and it is expected that the program will launch in the fall of 2024 and will run to March 31, 2027.

ERA indemnifies its directors against claims reasonably incurred and resulting from the performance of their services to ERA. No amounts are reflected in the financial statements related to these indemnifications.

# EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements (Continued)

Year ended May 31, 2024, with comparative information for 2023

## 8. Financial instruments:

ERA's financial instruments are exposed to certain financial risks, including credit risk, market risk and liquidity risk.

### Credit risk

Credit risk is the risk of financial loss to ERA if a party to a financial instrument fails to meet its contractual obligations and arises from cash, short-term investments, interest receivable, accounts receivable and grants receivable. The maximum amount of credit risk exposure is limited to the carrying value of the balances disclosed in these financial statements.

Management monitors these accounts regularly and does not believe ERA is exposed to significant credit risk at the statement of financial position date as all balances are from counterparties where collectability is reasonably assured.

### Market risk

Market risk is the risk changes in market prices, such as interest rates, will affect ERA's interest income or the value of the financial instruments held. ERA is subject to interest rate cash flow risk arising primarily from fluctuations in interest rates applied to its cash balances, which are subject to floating interest rates. Short-term investments consisting of Guaranteed Investment Certificates ("GICs") are at guaranteed rates and are not subject to changes in market rates until they expire and ERA renews the positions. Currently ERA holds the following GICs:

Guaranteed Institution	Maturity date	Principal	Interest rate
CWB	July 16, 2024	\$ 20,000,000	6.12%
Scotiabank	August 6, 2024	20,000,000	6.14%
Scotiabank	September 14, 2024	20,000,000	6.20%
CWB	November 22, 2024	35,000,000	6.07%
CWB	December 23, 2024	40,000,000	6.13%
Scotiabank	November 22, 2024	75,000,000	6.05%
Scotiabank	March 10, 2025	100,000,000	5.49%
Scotiabank	April 29, 2025	20,000,000	5.40%
		\$ 330,000,000	

### Liquidity risk

Liquidity risk is the risk ERA will not be able to meet its financial obligations as they come due. Management mitigates liquidity risk by monitoring forecasted and actual cash flows to ensure sufficient liquidity to meet its liabilities. Accounts payable and accrued liabilities are due within the current operating period.

# EMISSIONS REDUCTION ALBERTA

Notes to Financial Statements (Continued)

Year ended May 31, 2024, with comparative information for 2023

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## 9. Economic dependence

100% of ERA's grant revenue in the current year is received from the Government of Alberta via the executed Grant Agreement or the Delivery Entity Agreement. The loss of this funding would have a material adverse impact on ERA's future operations, project commitments and financial position. Additionally, ERA is expected to receive \$40 million in funding from fiscal year 2024 to 2027 from NRCan for the GIFMP program based on the contribution agreement signed in June 2024.

## 10. Comparative information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.