

Consolidated Financial Statements

ZooShare Biogas Co-operative Inc.

Toronto, Ontario

December 31, 2017

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Independent Auditors' Report

To the Members of ZooShare Biogas Co-operative Inc.:

We have audited the accompanying consolidated financial statements of ZooShare Biogas Co-operative Inc., which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting requirements of 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.

Auditors' 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.

continued...

Independent Auditors' Report - continued

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of ZooShare Biogas Co-operative Inc. as at December 31, 2017 and the results of its consolidated cash flows for the year then ended in accordance with the financial reporting requirements of Canadian accounting standards for not-for-profit organizations.

Toronto, Ontario
May 16, 2018



Chartered Professional Accountants, Licensed Public Accountants

ZooShare Biogas Co-operative Inc.

December 31, 2017

Consolidated Statement of Financial Position	2017	2016
		Note 7
Current Assets		
Cash	\$ 238,444	\$ 19,872
Temporary investments	1,318,722	1,863,531
Accounts receivable	300	2,618
HST receivable	27,729	3,883
Deposits	5,207	3,730
Total Current	1,590,402	1,893,634
Funds Held in Escrow , Note 3	1,181,935	1,170,528
Capital Assets , Note 4	3,202,290	2,461,388
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	5,974,627	5,525,550

Approved by The Board

Paul Ungerman

Director

Victoria Botvinnik

Director

ZooShare Biogas Co-operative Inc.

December 31, 2017

Consolidated Statement of Financial Position	2017	2016
		Note 7
Current Liabilities		
Accounts payable and accrued liabilities	\$ 5,882	\$ 13,551
Due to Toronto Zoo	155,000	0
Alterna Catapult Micro Loan	0	8,672
Accrued interest	849,908	580,115
Total Current	1,010,790	602,338
Deferred Contributions Related to Capital Assets	523,530	482,905
Long-Term Debt, Note 5		
Promissory notes	226,379	226,379
Bonds	3,969,490	3,969,490
Due to Community Power Capital Co-operative Inc.	225,000	225,000
Total Long-Term Debt	4,420,869	4,420,869
Total Liabilities	5,955,189	5,506,112
Net Assets		
<i>Unrestricted</i>		
Contributed surplus, membership fees	19,438	19,438
	5,974,627	5,525,550

The notes on pages 8 through 12 form an integral part of these consolidated financial statements.

ZooShare Biogas Co-operative Inc.

Year ended December 31, 2017

Consolidated Statement of Cash Flows	2017	2016
		Note 7
Operating Activities		
Non-cash items		
Net change in non-cash working capital	\$ 385,447	\$ 97,788
Cash Provided By Operating Activities	385,447	97,788
Investing Activities		
Decrease (increase) in investments	544,809	331,183
Increase in funds held in escrow	(11,407)	(1,170,528)
Purchase of capital assets	(740,902)	(559,494)
Cash Used In Investing Activities	(207,500)	(1,398,839)
Financing Activities		
Contributions related to capital assets	40,625	12,364
Increase in contributed surplus, membership fees	0	1,345
Increase in long-term debt	0	1,090,125
Cash Provided By Financing Activities	40,625	1,103,834
Net cash increase (decrease) during the year	218,572	(197,217)
Cash position beginning of year	19,872	217,089
Cash Position End of Year	238,444	19,872

Notes to Consolidated Financial Statements

Status and Nature of Activities

The Co-operative was incorporated under the Ontario Co-operative Corporations Act on April 26, 2011, as a corporation without share capital.

Zooshare's objective is to promote the development of renewable energy resources in the Province of Ontario.

Note 1 Significant Accounting Policies

Basis of Accounting

The Entity has elected to apply the Canadian accounting standards for Not-For-Profit organizations.

Consolidation

These financial statements consolidate the financial statements of the following:

- ZooShare Biogas Co-operative Inc.
- ZooShare Biogas Development Inc.
- ZooShare Biogas Limited Partnership

Revenue Recognition

The Entity defers all contributions related to capital assets up until the Commercial Operation Date (COD), after which it will be recognized into income in a systematic way. Those deferred contributions include grants, sponsorships and interest.

Once the COD is reached, energy revenue will commence. The estimated COD is July 2018. Energy revenue is recognized based on energy produced and delivered to the grid. Revenue is recognized based on energy acknowledged by Toronto Hydro as determined by the Toronto Hydro meters at periodic dates through the year.

Capital Assets

The Entity capitalizes all project related costs incurred up to the COD. Those costs include equipment costs, soft costs and related financing charges for each project. Interest costs capitalized during the year were \$269,865 (2016 - \$282,108).

Use of Estimates

The preparation of financial statements requires management to make assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Note 2 Financial Instruments

Interest Rate Risk

The Entity manages its investments based on its cash flow needs and with the view of optimizing its interest income. The Entity has invested its excess cash in low risk interest bearing vehicles such as term deposits as the means for managing its interest rate risk.

Notes and bonds payable carry interest rates at the following:

Promissory notes	12%
Community bonds	5-7%

Liquidity Risk

Liquidity risk is the risk that the Entity will encounter difficulty in meeting obligations associated with financial liabilities. The Entity is exposed to this risk mainly in respect of its long-term debt. This risk is reduced because of considerable sums invested in term deposits.

Note 3 Funds Held in Escrow

Community bonds in the amount of \$1,165,700 plus \$16,235 (2016 - \$4,828) in interest and membership fees, are being held in escrow earning a nominal rate of interest up to the COD, at which point interest will begin to accrue at 5%.

Note 4 Capital Assets

At cost	2017	2016
		Note 7
Office furniture	\$ 440	\$ 440
Project under development	3,201,850	2,460,948
	3,202,290	2,461,388

All project related costs incurred up to the COD are capitalized and amortized once operations commence.

Note 5 Long-Term Debt

A. Promissory Notes

The notes were issued for services rendered and include the following attributes:

Balance at December 31	\$226,379
Effective date	July 2011 - December 2014
Interest rate	12% annually
Repayment terms	12 months after project commissioning
Security	Floating charge against all assets and contracts of the Co-operative; rank ahead of Community Bonds

B. Community Bonds - Series 1

The bonds were issued to the general public and include the following attributes:

Balance at December 31	\$2,184,165
Effective date	September 2013 - December 2014
Interest rate	7% annually, after 7-year maturity period
Security	Floating charge against all assets and contracts of the Co-operative

C. Community Bonds - Series 2

The bonds were issued to the general public and include the following attributes:

Balance at December 31	\$619,625
Effective date	December 2015 - August 2016
Interest rate	6% annually, after 6-year maturity period
Security	Floating charge against all assets and contracts of the Co-operative

D. Community Bonds - Series 3

The bonds, held in escrow, were issued to the general public and include the following attributes:

Balance at December 31	\$1,165,700
Effective date	January 2016 - September 2016
Interest rate	5% annually after COD, after 5-year maturity period
Security	Floating charge against all assets and contracts of the Co-operative

Note 5 Long-Term Debt - continued

E. Grid Note

The limited recourse grid note was issued by Community Power Capital Co-operative Inc. and includes the following attributes:

Balance at December 31	\$225,000
Due date	varies
Interest rate	12-12.5% annually
Conversion option	Upon maturity, may be converted to a Community Bond, 7% annually, after 7-year maturity period

Note 6 Related Party Transactions

The Entity is related to ReGenerate Biogas Inc. by virtue of them being a member of the Co-operative and the management company of the entity.

During the year, the Entity paid ReGenerate Biogas Inc. \$61,289; (2016 - \$83,090) in capitalized management fees. At year end, no amounts were due from or to ReGenerate Biogas Inc.

A promissory note has been issued by the Entity to ReGenerate Biogas Inc. in the amount of \$154,328; (2016 - \$154,328) with the same terms as listed in Note 5A.

All these transactions were carried out in the normal course of operations and are recorded at the exchange value. This value corresponds to the consideration agreed upon by the parties and is determined based on the costs incurred.

Note 7 Classification

The prior year figures have been reclassified, where necessary, to conform to the current year's presentation. Surplus for the previous year is not affected by the reclassification.

Note 8 Contractual Obligations

The Entity signed a twelve (12) month agreement with Toronto Renewable Energy Co-operative Inc. on April 1, 2017, to provide administrative and securities management services. The fees payable monthly are as follows:

Administrative services	\$52 per hour
Securities management services	\$52 per hour
Platform and data storage	\$0.56 per investor, per month

The Entity signed a contract with Total Power Ltd. in the amount of \$796,200 plus HST to provide a generation system. \$199,050 plus HST have been reflected in these financial statements.

ZooShare Biogas Co-operative Inc.

December 31, 2017

Note 9 Subsequent Event

Subsequent to year-end, the Entity entered into a contract with Stonecrest Engineering Inc. in the amount of \$75,000 plus HST to provide architecture, site plan control and storm water management of the project. No amounts have been reflected in these financial statements.

Note 10 Term Sheet with the Limited Partnership

On October 4, 2016, the Co-operative entered into a Term Sheet for the co-development of the biogas plant at the Toronto Zoo. The Co-operative will own a majority of the units in a limited partnership that will own the facilities. The Co-operative shall lend \$1,800,000 to the limited partnership for capital costs of construction in the form of a convertible loan.

Note 11 Ground Lease

On March 15, 2017 the Entity revised the terms of their agreement with the Board of Management of the Toronto Zoo for the use of land for the operation of a biogas facility. Annual payments are as follows:

Fiscal year 2018	\$17,500
2019	\$50,000
2020	\$53,000
2021	\$56,000
2022	\$59,000
2023	\$62,000
2024	\$65,000
2025	\$65,000
2026	\$65,000
2027	\$57,500
2028	\$50,000 thereafter until March 1, 2039

Note 12 Financing Commitment

On April 3, 2017, the Entity received a preliminary commitment loan in the amount of \$3.8 million from CWB Maxium Financial. The preliminary terms include an interest rate of 415 basis points over the yield on the similar term Government of Canada Bond, for a term of 10 years with an amortization period of 15 years. Principal and interest payments will be made in equal quarterly installments.