

ZOOSHARE BIOGAS CO-OPERATIVE INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the members of
ZooShare Biogas Co-operative Inc.

Report on the Audit of the Financial Statements

Opinion

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, 2020 and the consolidated statements of operations and changes in net assets (deficiency) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ZooShare Biogas Co-operative Inc. as at December 31, 2020, and the results of its operations and 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 ZooShare Biogas Co-operative Inc. 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 Co-operative'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 Co-operative or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT (Continued)

Those charged with governance are responsible for overseeing the Co-operative'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 Co-operative'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 Co-operative'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 Co-operative to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT (Continued)

- 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.

KRIENS~LAROSE, LLP



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
May 4, 2021

ZOOSHARE BIOGAS CO-OPERATIVE INC.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020


	2020	2019
	\$	\$
ASSETS		
CURRENT		
Cash	1,688,257	183,834
Accounts receivable	388,212	373,543
HST receivable	64,288	30,235
Due from partners (Note 3)	-	816,000
Deposits (Note 4)	108,600	1,094,873
Inventory	2,254	-
	2,251,611	2,498,485
FUNDS HELD IN ESCROW (Note 5)	-	1,224,984
PROJECT IN DEVELOPMENT (Note 6)	5,691,783	2,798,434
	7,943,394	6,521,903


See accompanying notes to the financial statements

ZOOSHARE BIOGAS CO-OPERATIVE INC.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020 \$	2019 \$ (Note 12)
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	187,207	80,680
Due to Toronto Zoo	113,730	94,350
Promissory notes (Note 8)	356,029	-
Community bonds (Note 8)	3,380,444	758,868
	4,037,410	933,898
DEFERRED CONTRIBUTIONS (Note 7)	1,339,617	555,530
LONG-TERM DEBT (Note 8)		
Promissory notes	226,379	520,750
Community bonds	2,377,332	4,266,991
Due to Community Power Capital Co-operative Inc.	386,764	359,139
	2,990,475	5,146,880
	8,367,502	6,636,308
NET ASSETS (DEFICIENCY)		
CONTRIBUTED SURPLUS	19,658	19,438
UNRESTRICTED NET ASSETS (DEFICIENCY)	(443,766)	(133,843)
	(424,108)	(114,405)
	7,943,394	6,521,903

APPROVED ON BEHALF OF THE BOARD:


Newton Chan Director


Barry Green Director

See accompanying notes to the financial statements

ZOOSHARE BIOGAS CO-OPERATIVE INC.
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIENCY)
 FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	\$	\$ (Note 1)
REVENUES		
Grant (Note 9)	73,403	-
Management fees	47,400	15,800
Sponsorship	20,000	-
Interest	12,056	24,426
Memberships	220	-
	153,079	40,226
EXPENSES		
Bond interest	251,611	130,146
Debt financing interest	90,423	21,614
Management fees	48,970	2,668
Advertising and promotion	24,302	1,129
Insurance	22,750	3,787
Professional fees	22,374	10,165
Office and general	1,795	4,512
Bank charges	557	48
	462,782	174,069
(DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	(309,703)	(133,843)
NET ASSETS (DEFICIENCY), beginning of year	(114,405)	19,438
NET ASSETS (DEFICIENCY), end of year	(424,108)	(114,405)

See accompanying notes to the financial statements

ZOOSHARE BIOGAS CO-OPERATIVE INC.
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	\$	\$
CASH FROM OPERATING ACTIVITIES		
Cash receipts from contributions	60,000	-
Cash receipts from sponsorship	20,000	-
Cash receipts from management fees	46,133	15,800
Cash receipts from memberships	220	-
Interest received	12,056	24,426
Cash paid to suppliers	(392,561)	(1,143,188)
	(254,152)	(1,102,962)
CASH FROM INVESTING ACTIVITIES		
Development of the project	(1,907,076)	2,079,339
Decrease (increase) in funds held in escrow	1,224,984	(24,405)
	(682,092)	2,054,934
CASH FROM FINANCING ACTIVITIES		
Contributions (payments) related to the project	1,600,087	(1,173,543)
Debt financing	47,005	(49,725)
Bonds payable	731,917	276,667
Promissory notes payable	61,658	55,803
	2,440,667	(890,798)
Change in cash	1,504,423	61,174
CASH, beginning of year	183,834	122,660
CASH, end of year	1,688,257	183,834

See accompanying notes to the financial statements

STATUS AND NATURE OF ACTIVITIES

ZooShare Biogas Co-operative (the "Co-operative") was incorporated under the Ontario Co-operative Corporations Act on April 26, 2011, as a corporation without share capital. The Co-operative's objective is to promote the development of renewable energy resources in the Province of Ontario.

The Co-operative is economically dependent on the continued financing which they currently have in place.

1. OPERATIONS

The limited partnership agreement between the Co-operative, ZooShare Biogas Development Inc. and Oshawa PUC Energy Services Inc. was entered on October 31, 2019. The project was transferred to the limited partnership on this date. The revenue earned and expenditures incurred by the Co-operative from November 1, 2019 forward have been recognized in the statement of operations.

The project is expected to be operational in 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

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.

Financial Instruments

The Co-operative measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Co-operative subsequently measures all its financial assets and financial liabilities at cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at cost include cash and accounts receivable. Financial liabilities measured at cost include the accounts payable and accrued liabilities.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Accounting

The Co-operative has elected to apply the standards in Part III of the Chartered Professional Accountants of Canada (CPAC) Accounting Handbook for Not-For-Profit Organizations (NFPOs) in accordance with Canadian generally accepted accounting principles and includes following significant accounting policies.

Consolidation

These financial statements consolidate the records of:

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

Investments in Jointly Controlled Activities

The Co-operative has entered into agreements to own and operate a zoo-based Biogas project as follows:

Name of Joint Arrangement	ZooShare % Ownership
ZooShare Biogas Development Inc.	50.0%
ZooShare Biogas Limited Partnership	51.0%

The Co-operative uses the equity method for the joint arrangements.

Revenue Recognition

The Co-operative defers all contributions related to capital assets up until the project is operational, after which it will be recognized into income in a systematic way. Those deferred contributions include grants, sponsorships and interest.

Once the project is operational, the energy revenue will commence. The estimated operation date is 2021. 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.

Projects In Development

The project was transferred to ZooShare Biogas Limited Partnership in 2019. The Partnership capitalizes all project related costs incurred up to the operational date. Those costs include equipment costs, soft costs and related financing charges for each project.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory is recorded at cost and is reassessed annually against replacement cost and any obsolescence recorded in that year. Parts held in inventory are expensed as they are put into service and written off if the items are no longer useful or needed.

Impairment of Long Lived Assets

The Co-operative tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the project may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the project is expected to generate through its direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

3. DUE FROM PARTNERS

The fiscal year 2019 balance represents the remaining amount due from a partner of ZooShare Biogas Limited Partnership for their capital contribution in exchange for a 49% interest in the partnership. The balance was repaid in full in the current fiscal year.

4. DEPOSITS

The balance consists of the financial assurance of the project and the deposits made on equipment not received by the year end date.

5. FUNDS HELD IN ESCROW

The fiscal year 2019 balance represents \$1,165,700 in community bonds plus \$59,284 in interest and memberships fees that were held in escrow earning a nominal rate of interest. The balance was released on October 21, 2020 under the Escrow Agreement dated September 30, 2015.

6. PROJECTS IN DEVELOPMENT

	2020	2019
	\$	\$
Project under development	5,691,783	2,798,434

All project related costs incurred up to the operation date are capitalized and will be amortized once operations commence. The project is expected to be operational in 2021.

7. DEFERRED CONTRIBUTIONS

The deferred contributions represents grants and sponsorship received related to capital assets prior to the operation date of the project.

During the fiscal year, the Partnership received \$1,537,425 (of which the Co-operative has a 51% interest) from the Minister of the Environment as part of the Low Carbon Economy Fund (LCEF) agreement, effective July 23, 2019. The agreement will expire on September 20, 2022.

The purpose of the fund is to invest in projects that will materially reduce carbon emissions under the Pan-Canadian Framework on Clean Growth and Climate Change that contribute to Canada's first Nationally Determined Contribution under the Paris Agreement, and support the advancement of new technologies and Canada's long-term transition towards cleaner growth through the decarbonization of the economy.

The government will contribute 31% of total eligible expenditures incurred for the project, up to a maximum of \$2,660,000.

As at December 31, 2020, the full amount has been deferred. Total eligible expenditures of \$1,537,425 (of which the Co-operative has a 51% interest) related to the funding have been capitalized at year-end. The revenue will be recognized on the same basis as the related depreciable project asset.

8. LONG-TERM DEBT

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

Community Bonds - Series 1

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

Balance at December 31	\$1,639,065 (2019 - \$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

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

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.

8. LONG-TERM DEBT (Continued)

Community Bonds - Series 4

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

Balance at December 31	\$480,411
Effective date	June 2020 to June 2021
Interest rate	5% annually
Term	5 years
Security	Floating charge against all assets and contracts of the Co-operative's interest in the LP.

Community Bonds - Series 5

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

Balance at December 31	\$723,043
Effective date	June 2020 to June 2021
Interest rate	5.5% annually
Term	15 years
Security	Floating charge against all assets and contracts of the Co-operative's interest in the LP.

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
Effective date	Varies
Interest rate	12-12.5% annually
Conversion option	Upon maturity, may be converted to a bond, with a 6 year term, accruing interest at the rate of 6% per year, calculated annually in arrears

	2020	2019
	\$	\$
Promissory Notes		
Note balance	226,379	226,379
Accrued interest	356,029	294,372
	582,408	520,751

Continued...

8. LONG-TERM DEBT (Continued)

Community Bonds

Series 1	1,639,065	2,184,165
Series 2	619,625	619,625
Series 3	1,165,700	1,165,700
Series 4	480,411	-
Series 5	723,043	-
Repayment pending	87,926	-
Accrued interest	1,042,006	1,056,369
	5,757,776	5,025,859

Grid Note

Note balance	225,000	225,000
Accrued interest	161,764	134,139
	386,764	359,139

The maximum amount of long-term debt to be redeemed or reinvested is a follows:

	2019	2020	2021	2022	2023	2024	2025
Current Portion	758,868	3,736,473	1,866,443	63,800	63,800	542,111	39,800
Long Term Portion	5,146,880	2,990,475	1,124,032	1,147,832	1,147,832	669,521	691,421
Total	5,905,748	6,726,948	2,990,475	1,211,632	1,211,632	1,211,632	731,221

9. GRANT

The Co-operative entered into an agreement with the Centre for Social Innovation on June 26, 2020 as part of the Investment Readiness Program. The program is designed to help grow and ensure the sustainability of social purpose organizations across Canada, including charities, non-profits, social enterprises, for-profits with a social purpose and co-operatives. In the fiscal year, the Co-operative recognized \$73,403 in grant revenue, of which \$13,403 is receivable, in accordance with eligible program expenses incurred. The maximum funding amount to be received for this program is \$100,000.

Continued...

10. RELATED PARTY TRANSACTIONS

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

During the year, the Co-operative paid ReGenerate Biogas Inc. \$11,888 (2019 - \$38,830) for services rendered, at year end, \$0 (2019 - \$0) was due to ReGenerate Biogas Inc. As of September 1, 2019, the management fees are no longer being paid by the Co-operative.

A promissory note has been issued by the Co-operative to ReGenerate Biogas Inc. in the amount of \$154,328; (2019- \$154,328) with the same terms as listed in Note 8.

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

11. COMMITMENTS

The Co-operative entered a twelve (12) month agreement with Toronto Renewable Energy Co-operative Inc. on April 1, 2020, to provide administrative and securities management services. The fees payable monthly are as follows:

Administrative services	\$57.50 per hour
Securities management services	\$57.50 per hour
Platform and data storage	\$0.70 per investment, per month

The Co-operative entered an agreement with ZooShare Biogas Limited Partnership in September 2019 to assist in the development of the Biogas plant at the Toronto Zoo by performing the day-to-day management and administration of the project. The fees under the agreement are \$3,950 a month.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified by those previously presented to conform to the presentation of the 2020 financial statements.

13. FINANCIAL INSTRUMENTS

The Co-operative is exposed to various risks through its financial instruments. The following presents the Co-operative's risk exposure and concentrations at December 31, 2020.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Co-operative is exposed to credit risk with respect to its accounts receivable. Actual exposure to credit losses has been minimal in prior years. The allowance for doubtful accounts is \$0 (2019 - \$0).

Liquidity Risk

Liquidity risk is the risk that the Co-operative will encounter difficulties in meeting obligations associated with financial liabilities. The Co-operative is exposed to this risk mainly in respect of its long-term debt. The Co-operative meets its liquidity requirements by preparing and monitoring cashflows from obligations, anticipating investing and financing activities that can be readily converted into cash.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: currency risk, interest rate risk and other price risk. There has been no change in the risk assessment from the prior fiscal year.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Co-operative is not exposed to currency risk.

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 foreign exchange rates. The Co-operative manages its investments based on its cash flow needs and with the view of optimizing its interest income. The Co-operative has invested its excess cash in low risk interest bearing vehicles as the means for managing its interest rate risk.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Co-operative is not exposed to this risk.

14. THE NOVEL CORONAVIRUS ("COVID-19")

In March 2020, the World Health Organization declared a global pandemic due to the outbreak of the novel Coronavirus ("COVID-19"). The situation is continuously developing, and the economic impact has been substantial to both Canada and the globe. As at May 4, 2021, the impact on operations has been minimal as construction is deemed an essential service. The project has been delayed by an estimated 5 weeks as a result of the pandemic. Project and Board meetings have been held virtually, as well as financial approval and payments.

Future operations are expected to be impacted by where the organic waste is produced and who will bring the waste to the project. Commercial haulers who rely heavily on restaurants, convention centres and hotels for supply have been significantly impacted, whereas haulers who work for municipalities are hauling more material.

The duration of the pandemic is unknown at this time. As a result, it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial position of the Partnership.