

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**Independent Auditors' Report**  
**Statement of Financial Position**  
**Statement of Income**  
**Statement of Retained Earnings**  
**Statement of Cash Flows**  
**Notes to Financial Statements**



## INDEPENDENT AUDITORS' REPORT

To the Members of:  
Ottawa Renewable Energy Co-operative Inc.

We have audited the accompanying financial statements of Ottawa Renewable Energy Co-operative Inc., which comprise the statement of financial position as at August 31, 2018, and the income statement, statement of retained earnings and cash flows statement for the year ended August 31, 2018, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises (ASPE), 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 auditors' 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.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ottawa Renewable Energy Co-operative Inc. as at August 31, 2018, and its financial performance and its cash flows for the year ended August 31, 2018 in accordance with Canadian accounting standards for private enterprises.

A handwritten signature in black ink that reads "Frouin Group".A large, light grey watermark of a compass rose is visible in the bottom left corner of the page, partially overlapping the footer text. The compass rose shows cardinal directions (N, E, S, W) and degree markings.

Frouin Group Professional Corporation  
Ottawa, Ontario  
November 22, 2018

Authorized to practice public accounting by the Chartered Professional Accountants of Ontario

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**  
(Incorporated under the Laws of Ontario)

**AUDITED STATEMENT OF FINANCIAL POSITION**

**AS AT AUGUST 31, 2018**

|   | 2018                       | 2017                       |
|---|----------------------------|----------------------------|
| <b>ASSETS</b>   |                            |                            |
| <b>CURRENT ASSETS</b>                                 |                            |                            |
| Cash  | \$ 1,491,141               | \$ 1,134,755               |
| Accounts receivable                                   | 503,263                    | 327,567                    |
| Prepaid expenses                                      | 1,430                      | 33,339                     |
| HST recoverable                                       | <u>0</u>                   | <u>46,489</u>              |
|   | <b>1,995,834</b>           | <b>1,542,150</b>           |
| <b>LOAN RECEIVABLE (Note 4)</b>                       | <b>118,012</b>             | <b>443,182</b>             |
| <b>LONG-TERM INVESTMENTS (Notes 2g and 5)</b>         | <b>168,149</b>             | <b>161,533</b>             |
| <b>INTEREST IN JOINT ARRANGEMENTS (Note 2f and 6)</b> | <b>1,516,312</b>           | <b>1,614,491</b>           |
| <b>LOAN TO RELATED PARTIES (Note 7)</b>               | <b>254,471</b>             | <b>190,627</b>             |
| <b>PROPERTY AND EQUIPMENT (Notes 2d and 8)</b>        | <u><b>4,197,811</b></u>    | <u><b>3,243,930</b></u>    |
| <b>TOTAL ASSETS</b>                                   | <u><b>\$ 8,250,589</b></u> | <u><b>\$ 7,195,913</b></u> |
| <b>LIABILITIES AND MEMBER'S EQUITY</b>                |                            |                            |
| <b>CURRENT LIABILITIES</b>                            |                            |                            |
| Accounts payable and accrued liabilities              | \$ 254,429                 | \$ 95,850                  |
| HST payable   | <u>15,251</u>              | <u>0</u>                   |
|   | <u><b>269,680</b></u>      | <u><b>95,850</b></u>       |
| <b>LONG-TERM LIABILITIES</b>                          |                            |                            |
| Loan payable (Note 9)                                 | <b>968,000</b>             | <b>968,000</b>             |
| <b>REDEEMABLE PREFERENCE SHARES (Note 11)</b>         | <u><b>6,950,000</b></u>    | <u><b>6,118,000</b></u>    |
| <b>TOTAL LIABILITIES</b>                              | <u><b>8,187,680</b></u>    | <u><b>7,181,850</b></u>    |
| <b>MEMBER'S EQUITY</b>                                |                            |                            |
| Membership shares (Note 11)                           | <b>73,300</b>              | <b>67,800</b>              |
| Retained earnings (deficit)                           | <u>(10,391)</u>            | <u>(53,737)</u>            |
|   | <u><b>62,909</b></u>       | <u><b>14,063</b></u>       |
| <b>TOTAL LIABILITIES AND EQUITY</b>                   | <u><b>\$ 8,250,589</b></u> | <u><b>\$ 7,195,913</b></u> |

APPROVED ON BEHALF OF THE BOARD :

Director



Director



(See accompanying Notes to Financial Statements)

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**

**AUDITED STATEMENT OF INCOME**

**FOR THE YEAR ENDED AUGUST 31, 2018**

|  | 2018                     | 2017                     |
|--|--------------------------|--------------------------|
| <b>REVENUES</b>                            |                          |                          |
| Solar revenue received directly            | \$ 390,272               | \$ 341,345               |
| Rent revenue                               | 120,417                  | 0                        |
| Income from joint arrangements (Note 2f)   | 265,527                  | 238,469                  |
| Partnership income                         | 4,230                    | 0                        |
| Grant revenue                              | 118,360                  | 47,011                   |
| Dividend revenue                           | 5,100                    | 5,100                    |
| Interest revenue                           | <u>26,117</u>            | <u>43,562</u>            |
|  | <u>930,023</u>           | <u>675,487</u>           |
| <b>EXPENSES</b>                            |                          |                          |
| Advertising and promotion                  | 4,970                    | 12,874                   |
| Amortization (Notes 2d and 8)              | 203,624                  | 136,100                  |
| Salaries                                   | 181,513                  | 120,495                  |
| Projects                                   | 86,805                   | 106,386                  |
| Insurance                                  | 4,830                    | 8,407                    |
| Interest on long-term debt                 | 28,531                   | 19,170                   |
| Rent                                       | 8,989                    | 5,218                    |
| Office costs                               | 24,089                   | 18,195                   |
| Professional fees                          | 17,299                   | 18,787                   |
| Expenses from joint arrangements (Note 2f) | <u>116,336</u>           | <u>127,631</u>           |
|  | <u>676,986</u>           | <u>573,263</u>           |
| <b>NET INCOME FROM OPERATIONS</b>          | <b>253,037</b>           | <b>102,224</b>           |
| Loss on disposal of assets (Note 12)       | <u>(21,493)</u>          | <u>0</u>                 |
| <b>NET INCOME FOR THE YEAR</b>             | <b>\$ <u>231,544</u></b> | <b>\$ <u>102,224</u></b> |

(See accompanying Notes to Financial Statements)

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**  
**AUDITED STATEMENT OF RETAINED EARNINGS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

|   | 2018                      | 2017                      |
|---|---------------------------|---------------------------|
| <b>RETAINED EARNINGS (DEFICIT), beginning of year</b> | <b>\$ (53,737)</b>        | <b>\$ 143,462</b>         |
| Net income for the year                               | <b>231,544</b>            | 102,224                   |
| Dividend paid (Note 16)                               | <u><b>(188,198)</b></u>   | <u><b>(299,423)</b></u>   |
| <b>RETAINED EARNINGS (DEFICIT), end of year</b>       | <b>\$ <u>(10,391)</u></b> | <b>\$ <u>(53,737)</u></b> |

(See accompanying Notes to Financial Statements)

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**

**AUDITED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED AUGUST 31, 2018**

|   | 2018                      | 2017                      |
|---|---------------------------|---------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |                           |                           |
| Net income for the year                                 | \$ 231,544                | \$ 102,224                |
| Add: Amortization                                       | 203,624                   | 136,100                   |
| Loss on disposal of capital assets                      | 21,493                    | 0                         |
| Cash flows from current operating items                 | <u>76,532</u>             | <u>(239,751)</u>          |
|   | <u>533,193</u>            | <u>(1,427)</u>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |                           |                           |
| Purchase of property and equipment                      | (1,178,998)               | (873,283)                 |
| Decrease (increase) in loan receivable                  | 325,170                   | (35,778)                  |
| Decrease (increase) in long-term investment             | (6,616)                   | (124,658)                 |
| Decrease (increase) in investment in joint arrangements | 98,179                    | 255,869                   |
| Decrease (increase) in loans to related parties         | <u>(63,844)</u>           | <u>(190,627)</u>          |
|   | <u>(826,109)</u>          | <u>(968,477)</u>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>             |                           |                           |
| Increase (decrease) in loan payable                     | 0                         | 550,000                   |
| Dividends paid  | (188,198)                 | (299,423)                 |
| Issuance of membership share capital                    | 5,500                     | 16,500                    |
| Issuance of preferred share capital                     | <u>832,000</u>            | <u>1,438,500</u>          |
|   | <u>649,302</u>            | <u>1,705,577</u>          |
| <b>NET CHANGE IN CASH</b>                               | <b>356,386</b>            | <b>735,673</b>            |
| <b>CASH, beginning of year</b>                          | <b><u>1,134,755</u></b>   | <b><u>399,082</u></b>     |
| <b>CASH, end of year</b>                                | <b><u>\$1,491,141</u></b> | <b><u>\$1,134,755</u></b> |
| <b>REPRESENTED BY</b>                                   |                           |                           |
| Cash  | <u>\$1,491,141</u>        | <u>\$1,134,755</u>        |

(See accompanying Notes to Financial Statements)

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**

**NOTES TO AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2018**

**1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES**

The Corporation is a for-profit corporation incorporated under subsection 6(1) of the Ontario Co-operative Corporation Act on September 3, 2010. The Co-operative generates electricity from renewable energy sources and sells electricity as generator.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared by management in accordance with Canadian accounting standards for private enterprises (ASPE) under Part II of the CPA Canada Handbook and include the following significant accounting policies:

**a. Use of estimates**

The preparation of these financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

**b. Revenue recognition**

Service revenue is recognized when the appropriate services are performed and collection of the relevant receivable is probable.

Grant revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Amounts received for future services are deferred until the service is provided and related expenses are incurred.

Dividend income is recognized as revenue as at the declaration date and interest income is recognized on the accrual basis. Partnership revenues are recorded when they are received.

**c. Income taxes**

The Corporation applies the tax payable method of accounting for income taxes.

**d. Property and equipment**

Amortization is provided on the straight line basis as follows:

- Solar equipment
- 20 years

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**

**NOTES TO AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2018**

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

**e. Financial instruments**

*Measurement of financial instruments*

The carrying value of cash, accounts receivable and HST receivable/payable approximates their fair value because of the relatively short period to maturity of the instruments. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

*Transaction costs*

The Corporation recognizes its transactions costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transactions costs that are directly attributable to their origination, issuance or assumption.

**f. Joint arrangements**

The Corporation owns interests in jointly-controlled operations and assets. The Corporation records its proportionate interest in assets and liabilities on the statement of financial position as well as its share of revenue and expenses incurred by the joint arrangement on the statement of income. Per note 14, this was previously accounted for using the equity method. The change in policy resulted in a reclassification in assets only, no changes were required to revenues, expenses or net assets.

**g. Long-term investments**

Long-term investments include investments in other companies and partnerships subject to significant influence. The Corporation applies the cost method of accounting for these long-term investments. The investments are carried at cost and the net earnings of the investments are reflected in the determination of the net earnings of the Corporation only to the extent of income received or receivable.

**3. RELATED PARTY TRANSACTIONS**

Certain management, directors and members of their immediate family are owners of preference shares of the Corporation. During the year, dividends were paid on these preference shares at fair market value, which is the same rate as the amounts paid to non-related party preference shareholders.

The Corporation has entered into an agreement with a company owned by a member of the board of directors to install solar panels on the related company's property and produce solar income. During the 2018 fiscal year, the related company's share of solar income derived from this property was \$1,892 (2017 - \$1,798). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.



**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**

**NOTES TO AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2018**

**3. RELATED PARTY TRANSACTIONS (continued)**

During the fiscal year, the Corporation entered into various agreements with Apricity Renewables, who was hired as a third party engineer for various projects during the construction phase. They are related parties by virtue of the fact that a board member is also a director of Apricity Renewables. Total payments to this related party during the fiscal year were \$6,325 plus HST. These transactions were recorded at the exchange amount.

**AP Muni P3 Limited Partnership**

The Corporation has entered into an agreement with AP Muni P3 Limited Partnership, of which the Corporation owns 5,100 of a total 10,004 Class A Units and 4,900 out of a total 10,000 Class B units, and which a member of the board of directors of OREC acts as general partner.

Income derived from this arrangement during the 2018 fiscal year was \$4,230 (2017 - \$0). The Corporation leases equipment to the partnership at a rate of \$12,500 per month. Revenues derived from this lease agreement in the 2018 fiscal year were \$120,417 (2017 - \$0) and were recorded at the exchange amount.

On April 12, 2017 the Corporation entered into a loan agreement with the Partnership. Under the agreement, the maximum amount of the loan is \$252,144 plus a True-up Amount to be agreed upon by both parties acting reasonably within 60 days following the Commercial Operation Date of the Solar Facility at a rate of 6.5% interest per annum, payable in monthly blended payments of principal and interest of \$1,879.92 beginning November 2017. Total interest earned as a result of this loan in the 2018 fiscal year was \$14,156 (2017 - \$2,477). The total balance receivable from the Partnership as at August 31, 2018 is \$251,871 (2017 - \$190,627).

**4. LOAN RECEIVABLE**

On March 9, 2018, the Corporation entered into a loan agreement with Minto Skating (1995) Centre (Minto). The Corporation loaned to Minto a principal sum of \$140,000, repayable in 24 equal consecutive blended monthly installments of principal and interest at the rate of 7%, calculated monthly.

The prior year loan receivable consisted of a loan to Community Power Capital Co-operative Inc. which was repaid in full on September 1, 2017.

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**

**NOTES TO AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2018**

**5. LONG-TERM INVESTMENTS**

The Corporation owns interests in the following long-term investments:

|   | <b>2018</b>                     | 2017                          |
|---|---------------------------------|-------------------------------|
| OREC-Smith Joint Venture Inc., 49 of 100 Class A voting shares, 51 of 100 Class B non-voting shares | <b>\$ 129,999</b>               | \$ 143,533                    |
| AP Muni P3 Limited Partnership, 5,100 of 10,004 Class A Units and 4,900 of 10,000 Class B Units     | <b>38,000</b>                   | 18,000                        |
| 10671401 Canada Inc., 100 of 200 Common shares and 50 Class A shares                                | <u>150</u><br><b>\$ 168,149</b> | <u>0</u><br><b>\$ 161,533</b> |

**6. INTEREST IN JOINT ARRANGEMENTS**

The Corporation owns interests in the following joint arrangements:

|  | <b>2018</b>               | 2017                      |
|--|---------------------------|---------------------------|
| CSE-OREC Joint Venture, 50% interest   | <b>\$ 792,324</b>         | \$ 847,008                |
| CECCE-OREC Joint Venture, 50% interest | <u>723,988</u>            | <u>767,483</u>            |
|  | <b><u>\$1,516,312</u></b> | <b><u>\$1,614,491</u></b> |

**7. LOAN TO RELATED PARTIES**

The Corporation has issued loans to related parties during the year. They are as follows:

|   | <b>2018</b>                       | 2017                          |
|---|-----------------------------------|-------------------------------|
| AP Muni P3 Limited Partnership, repayable in monthly blended payments of principal and interest of \$1,879.92 | <b>\$ 251,871</b>                 | \$ 190,627                    |
| 10671401 Canada Inc., non-interest bearing with no specified repayment terms                                  | <u>2,600</u><br><b>\$ 254,471</b> | <u>0</u><br><b>\$ 190,627</b> |

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**

**NOTES TO AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2018**

**8. PROPERTY AND EQUIPMENT**

|                 | Cost               | Accumulated<br>Amortization | <b>Net Book<br/>Value<br/>2018</b> | Net Book<br>Value<br>2017 |
|-----------------|--------------------|-----------------------------|------------------------------------|---------------------------|
| Solar equipment | <u>\$4,731,629</u> | <u>\$ (533,818)</u>         | <u>\$4,197,811</u>                 | <u>\$3,243,930</u>        |

**9. LOAN PAYABLE**

|   | 2018                     | 2017              |
|---|--------------------------|-------------------|
| Loan from Tolcor Investments Ltd., which is owned by a member, with quarterly interest payments at a rate of 2.5%, due March 1, 2020, callable with 90 days notice. | <b>50,000</b>            | 50,000            |
| Various 5 year notes payable to members with annual interest payments at the rate of 3%.  | <u><b>918,000</b></u>    | <u>918,000</u>    |
|   | <u><b>\$ 968,000</b></u> | <u>\$ 968,000</u> |

Total principal payments required for the subsequent years are as follows:

|      |                          |
|------|--------------------------|
| 2020 | \$ 418,000               |
| 2021 | <u>550,000</u>           |
|      | <u><u>\$ 968,000</u></u> |

**10. TERM LOAN**

The Corporation has an operating line of credit with Caisse Populaire Rideau-Vision D'Ottawa Inc. The current limit of the credit facility is \$0, however, credit is available on demand.

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**

**NOTES TO AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2018**

**11. MEMBERSHIP SHARES & PREFERENCE SHARES**

Authorized:

10,000 in Membership Shares at a par value of \$100 each

|                                    | <b>2018</b>             | 2017                    |
|------------------------------------|-------------------------|-------------------------|
| Issued:                            |                         |                         |
| 733 Membership Shares (2017 - 678) | <b><u>\$ 73,300</u></b> | <b><u>\$ 67,800</u></b> |

Authorized:

18,000 in Class A Preference Shares at a par value of \$500 each

20,000 in Class B Preference Shares at a par value of \$500 each

20,000 in Class C Preference Shares at a par value of \$500 each

|  | <b>2018</b>               | 2017                      |
|--|---------------------------|---------------------------|
| Issued:                                  |                           |                           |
| 1,952 Class A Series 1 Preference shares | <b>\$ 976,000</b>         | \$ 991,000                |
| 2,490 Class A Series 2 Preference shares | <b>1,245,000</b>          | 1,250,000                 |
| 2,670 Class A Series 3 Preference shares | <b>1,335,000</b>          | 1,337,500                 |
| 2,192 Class A Series 4 Preference shares | <b>1,096,000</b>          | 1,101,000                 |
| 2,877 Class A Series 5 Preference shares | <b>1,438,500</b>          | 1,438,500                 |
| 1,719 Class A Series 6 Preference shares | <b><u>859,500</u></b>     | <u>0</u>                  |
|  | <b><u>\$6,950,000</u></b> | <b><u>\$6,118,000</u></b> |

These preference shares are redeemable at the holders' option at par value and carry a non-cumulative dividend.

**12. LOSS ON DISPOSAL OF ASSETS**

During the year the capital cost of certain projects under construction were written off due to the cancellation of the FIT contracts by the Government of Ontario. This write down resulted in a loss of disposition of \$21,493.

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**

**NOTES TO AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2018**

**13. INCOME TAXES**

The Corporation accounts for income taxes using the taxes payable method. As a result, the Corporation's income tax expense varies from the amount that would otherwise result from the application of the statutory income tax rates as set out below:

| <b>Income Tax Rate</b>  | <u><b>2018</b></u>      | <u><b>2017</b></u>      |
|---|-------------------------|-------------------------|
| Combined basic federal and provincial tax rates                         | <b>49.50 %</b>          | 49.50 %                 |
| Increase (decrease) in income tax expense resulting from:               |                         |                         |
| - Non-taxable income or non-deductible expense for income tax purposes  | <b>0.08 %</b>           | 0.08 %                  |
| Income or expenses claimed in different periods for income tax purposes |                         |                         |
| - Capital cost allowance in excess of amortization                      | <u><b>( 49.58)%</b></u> | <u><b>( 49.58)%</b></u> |
| <b>Effective Income Tax Rate</b>  | <u><b>0.00 %</b></u>    | <u><b>0.00 %</b></u>    |

**14. FINANCIAL INSTRUMENTS**

**Risk and concentrations**

The Corporation may be exposed to various risks through its financial instruments. The following analysis provides a measure of the Corporation's risk exposure and concentrations at August 31, 2018:

**Liquidity risk**

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of its accounts payable. Accounts payable are normally paid within 30 days.

**Currency risk**

The Corporation's functional currency is the Canadian dollar. Thus, the Corporation does not enter into foreign currency transactions and does not use foreign exchange forward contracts.

**OTTAWA RENEWABLE ENERGY CO-OPERATIVE INC.**

**NOTES TO AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2018**

**14. FINANCIAL INSTRUMENTS (continued)**

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation has interest bearing liabilities, however the interest rates are set and do not fluctuate with the market. Therefore fluctuations in market rates of interest on cash do not have significant impact on the Corporation's result of operations.

**15. COMMITMENTS**

The Corporation is committed under several lease agreements relating to the use of roofs for the installation of solar panels. The annual minimum lease payments varies from \$800 to \$16,500 per annum. For certain contracts the minimum lease payment is calculated as a percentage of revenue for that project, ranging from 5-9% of revenues for the year. The term of the leases varies from a period of 20 years to 20 years and 6 months, with the earliest commencing on November 15th, 2012 and the latest expiring on July 31, 2037. The total annual minimum lease payments is \$68,300.

The Corporation has entered into a sublease agreement with Switch NRG Inc. for a term of one year ending May 31, 2019. Monthly payments arising from this lease are \$1,000 plus HST.

**16. DIVIDENDS**

The Corporation declared dividends during the fiscal year ending August 31, 2018 to shareholders as of February 15, 2018.

**17. COMPARATIVE FIGURES AND PRIOR YEAR RECLASSIFICATION**

The prior year comparative figures have been reclassified to conform to this year's presentation.

During the current fiscal year, it was discovered that some assets were incorrectly classified. Adjustments were recorded in both the comparative and current fiscal years to reflect the correct nature of the assets. As a result, \$108,128 was reallocated from Property and Equipment to Investment in Joint Arrangements. Similarly, an adjustment was recorded to reallocate \$33,228 from Loan to Related Party to Property and Equipment. There was no impact on the Statement of Income as a result of these adjustments.