

Ontario Good Roads Association

Annual General Meeting

Date: February 27, 2018

Time: 8:45 a.m.

Location: Canadian Room, Fairmont Royal York Hotel, Toronto

AGENDA

Item #		Page #
1	Call to Order – Rick Kester, 2 nd Vice President	-----
2	Approval of Minutes – February 28, 2017	2
2	President's Report – Ken Lauppé, OGRA President	-----
3	2017 Annual/Audited Financial Report	4
4	Appointment of Auditors – 2018	-----
5	Other Business	-----
6	Adjournment	-----

Ontario Good Roads Association

2017 Annual General Meeting

Tuesday, February 28, 2017

Canadian Room, Fairmont Royal York Hotel

1. Call to Order

Luc Duval, OGRA 2nd Vice President and Director of Public Works & Engineering, City of Timmins, called the meeting to order at 8:45 a.m.

He introduced the Board of Directors present:

Robert Burlie, OGRA President and Manager of Road Operations, Toronto & East York District, City of Toronto

Ken Lauppe, OGRA 1st Vice-President and Manager, Road Operations – East, Planning & Infrastructure Services, City of Brampton

Rick Champagne, OGRA Immediate Past President and Councillor, Municipality of East Ferris

Paul Ainslie, Councillor, City of Toronto

Andy Bruziewicz, Councillor, City of Sarnia

Dave Burton, Reeve, Municipality of Highlands East

Rick Harms, Project Engineer, City of Thunder Bay

Rick Kester, CAO, City of Belleville

Bryan Lewis, Councillor, Town of Halton Hills

John McKean, Mayor, Town of the Blue Mountains

Virginia Ridley, Councillor, City of London

Michael Touw, Director of Public Works, Township of Leeds and the Thousand Islands

Chris Traini, County Engineer, County of Middlesex

Joe Tiernay, OGRA Executive Director

2. President's Report

Robert Burlie presented his report.

It was duly moved and seconded that the report of the President be received for information.

CARRIED

3. Approval of Auditors Report

Ken Lauppé referred the delegates to the Auditor's Report contain within the Annual Report.

It was duly moved and seconded that the audited financial statements be approved.

CARRIED

4. Appointment of Auditors - 2016

It was duly moved and seconded that the accounting firm of Cowperthwaite Mehta be appointed as the auditors for OGRA for the fiscal year 2017.

CARRIED

5. OGRA Constitutional Amendment

The Chair referred members to the Constitutional amendment which had been circulated to the membership on January 2, 2017 along with an explanatory note. The report on the amendment is attached to the minutes

It was duly moved and seconded that the Constitutional amendment being By-law 1-2017 of the Ontario Good Roads Association be approved.

CARRIED

6. New/Other Business

There was no other business brought before the membership.

7. Adjournment

The 2017 OGRA Annual General Meeting was adjourned at 9:00 a.m.



President



Secretary Treasurer

ONTARIO GOOD ROADS ASSOCIATION
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the Members,
Ontario Good Roads Association:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Ontario Good Roads Association, which comprise the consolidated balance sheet as at December 31, 2017, and the consolidated statements of changes in net assets, operations and cash flows for the year then ended 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 consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 Ontario Good Roads Association as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Cowperthwaite Mehta

Chartered Professional Accountants
Licensed Public Accountants

February 6, 2018
Toronto, Ontario

ONTARIO GOOD ROADS ASSOCIATION

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2017

	2017	2016
ASSETS		
Current assets		
Cash (note 2)	\$ 636,435	\$ 197,297
Short-term investments (note 3)	620,487	1,133,078
Accounts receivable	142,248	130,955
Inventory	12,484	25,132
Prepaid expenses	<u>77,329</u>	<u>42,114</u>
	<u>1,488,983</u>	<u>1,528,576</u>
Investments (note 3)	<u>948,552</u>	<u>779,352</u>
Capital assets (note 4)		
Tangible assets	1,504,744	1,547,409
Intangible assets	<u>62,140</u>	<u>219,974</u>
	<u>1,566,884</u>	<u>1,767,383</u>
	<u>\$ 4,004,419</u>	<u>\$ 4,075,311</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 217,454	\$ 274,281
Government remittances payable	69,952	57,218
Mortgage payable (note 5)	422,708	458,283
Deferred revenue (note 6)	<u>988,776</u>	<u>857,369</u>
	<u>1,698,890</u>	<u>1,647,151</u>
Deferred capital contributions (note 7)	<u> </u>	<u>45,451</u>
	<u>1,698,890</u>	<u>1,692,602</u>
Net assets		
Unrestricted	795,668	670,318
Invested in capital assets	1,118,404	1,263,649
Board-designated funds (note 9)		
Advocacy and special projects	32,782	31,667
Education development	65,780	65,780
Building reserve	19,121	12,325
Winter maintenance	73,774	88,770
Chair in Asset Management	200,000	100,000
Winter operations plan web app reserve		70,000
MDW reserve	<u> </u>	<u>80,200</u>
	<u>2,305,529</u>	<u>2,382,709</u>
	<u>\$ 4,004,419</u>	<u>\$ 4,075,311</u>

see accompanying notes

ONTARIO GOOD ROADS ASSOCIATION
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted Net Assets	Invested in Capital Assets	Advocacy	Education Development	Building Reserve	Winter Maintenance	Chair in Asset Management	Member Services Reserves	TOTAL 2017	TOTAL 2016
Opening balance (note 9)	\$ 670,318	\$1,263,649	\$ 31,667	\$ 65,780	\$ 12,325	\$ 88,770	100,000	\$ 150,200	\$2,382,709	\$2,268,953
Excess of revenues over expenses for the year	(77,180)								(77,180)	113,756
Appropriations (note 9)	57,285		1,115		6,796	(14,996)	\$ 100,000	(150,200)		
Intangible asset purchases	(61,645)	61,645								
Amortization of tangible capital assets	42,665	(42,665)								
Amortization of intangible assets	10,644	(10,644)								
Write down of value of intangible assets	208,835	(208,835)								
Mortgage principal repayments	(35,575)	35,575								
Amortization of capital contributions	(19,679)	19,679								
	<u>\$ 795,668</u>	<u>\$1,118,404</u>	<u>\$ 32,782</u>	<u>\$ 65,780</u>	<u>\$ 19,121</u>	<u>\$ 73,774</u>	<u>\$ 200,000</u>	<u>\$ NIL</u>	<u>\$2,305,529</u>	<u>\$2,382,709</u>

ONTARIO GOOD ROADS ASSOCIATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
REVENUE		
Education	\$ 1,956,564	\$ 1,939,009
Member services	1,340,214	1,366,203
Conference	867,055	1,144,825
Administration	<u>74,731</u>	<u>93,824</u>
	<u>4,238,564</u>	<u>4,543,861</u>
EXPENSES (note 10)		
Education	1,460,026	1,450,702
Member services	1,258,843	1,337,225
Conference	710,554	777,796
Administration	642,008	622,372
Advocacy	<u>244,313</u>	<u>242,010</u>
	<u>4,315,744</u>	<u>4,430,105</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	<u>\$ (77,180)</u>	<u>\$ 113,756</u>

see accompanying notes

ONTARIO GOOD ROADS ASSOCIATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
CASH INFLOW (OUTFLOWS)		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	\$ (77,180)	\$ 113,756
Non-cash items		
Repayable capital funding (note 7)	(25,772)	
Amortization of deferred capital contributions (note 7)	(19,679)	(73,549)
Amortization of tangible capital assets	42,665	47,258
Amortization of intangible assets	10,644	170,843
Write down of value of intangible assets	208,835	55,000
Net change in non-cash working capital items (below)	<u>53,454</u>	<u>324,109</u>
Cash provided from operations	<u>192,967</u>	<u>637,417</u>
FINANCING ACTIVITIES		
Decrease (increase) in investments	343,391	(381,647)
Mortgage principal repayments	<u>(35,575)</u>	<u>(35,311)</u>
Cash provided from (used in) financing activities	<u>307,816</u>	<u>(416,958)</u>
INVESTING ACTIVITIES		
Intangible asset purchases	<u>(61,645)</u>	<u>(93,300)</u>
NET CASH ACTIVITY FOR THE YEAR	439,138	127,159
CASH, BEGINNING OF YEAR	<u>197,297</u>	<u>70,138</u>
CASH, END OF YEAR	<u>\$ 636,435</u>	<u>\$ 197,297</u>
Net change in non-cash working capital items:		
Accounts receivable	\$ (11,293)	\$ 9,508
Inventory	12,648	(12,822)
Prepaid expenses	(35,215)	(7,786)
Accounts payable	(56,827)	134,422
Government remittances payable	12,734	29,308
Deferred revenue	<u>131,407</u>	<u>171,479</u>
	<u>\$ 53,454</u>	<u>\$ 324,109</u>

see accompanying notes

ONTARIO GOOD ROADS ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

The Ontario Good Roads Association (the organization) is one of Canada's largest municipal associations. The mandate of the organization is to represent the infrastructure interests of municipalities through advocacy, consultation, training and the delivery of identified services. It represents the transportation and public works-related concerns of 444 municipalities and many First Nation communities of Ontario. Since 1894, the organization has aided municipalities in their efforts to provide efficient and effective transportation systems.

The Ontario Good Roads Association is incorporated as a not-for-profit organization in Ontario, and is exempt from income tax in Canada under Section 149(1)(l) of the Income Tax Act (Canada).

The consolidated financial statements include the financial statements of Ontario Good Roads Association and those of Ontario 1894 Inc., a wholly-owned for-profit subsidiary of Ontario Good Roads Association. Ontario 1894 Inc. was incorporated in 2017 under the Ontario Business Corporations Act. It was established to provide companies and municipalities with software and programs to help minimize the challenges and streamline outdated processes with innovative solutions to complicated problems. It provides products to create easy, cost effective and proactive solutions for municipalities and their interests in North America.

1. SIGNIFICANT ACCOUNTING POLICIES

In preparing its financial statements, the organization follows Canadian accounting standards for not-for-profit organizations, which is one of the financial reporting frameworks included in Canadian generally accepted accounting principles. The significant accounting policies used are as follows:

Financial instruments

The organization initially measures its financial assets and liabilities at fair value.

The organization subsequently measures all its financial assets and financial liabilities at amortized 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.

Prepaid expenses

Prepaid expenses are recorded for goods and services being received in the next fiscal year but paid for in the current fiscal year.

Inventory

Inventory consists of supplies that are consumed in the delivery of the organization's courses, workshops and operations. They are recorded at the lower of cost and replacement cost.

ONTARIO GOOD ROADS ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

Tangible capital assets

The organization records capital assets for expenditures that will be used in the delivery of services for a continuous period. Tangible capital assets are initially recorded at cost and are amortized over their useful lives. If the asset no longer has any long-term service potential, it is written off.

Amortization is provided annually at rates calculated to write off the tangible assets over their estimated useful lives, as follows:

Building	- 40 year straight-line basis
Furniture	- 5 year straight-line basis
Equipment	- 3 year straight-line basis

Intangible assets

The organization holds internally-generated software which is defined as an intangible asset. The cost of developing software modules is capitalized until the module is implemented. Amortization is provided annually at rates calculated to write off the assets over their estimated useful life, which is five years on a straight line basis. Amortization is first charged in the year of implementation. Any further enhancements to a module are expensed as incurred, unless they are betterments which extend the service potential of the software.

When the software no longer has any long-term service potential to the organization, the excess of its carrying amount over any residual value is recognized as an expense in the statement of operations.

Patents, which are considered to have an indefinite life, are recorded at cost. Their value is tested for impairment whenever events or changes in circumstances indicate that their carrying amount may exceed their fair value. When the carrying amount of the patents exceed their fair value, an impairment loss is recognized in an amount equal to the excess.

Investment in subsidiary

The organization's wholly-owned for-profit subsidiary, Ontario 1894 Inc., is consolidated in these financial statements.

Mortgage payable

The mortgage payable is carried at amortized cost.

Income taxes

The organization follows the taxes payable method for its subsidiary in which only current income tax assets and liabilities are recognized. Current income taxes, to the extent unpaid or recoverable, are recorded as a liability or asset. The benefit, if any, related to a loss arising in the current period that will be carried back to recover income taxes of a previous period is recorded as a current asset.

ONTARIO GOOD ROADS ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

Revenue recognition

The organization follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Conference and education revenue is recognized in the year in which the course or conference is presented. Membership revenue is recognized in the year in which the membership relates. The portion of membership dues received that relates to a subsequent year is recorded as deferred revenue. Revenue from advertising is recognized in the year in which the advertisement is published. Realized and unrealized gains and losses on investments are recorded in the statement of operations in the year.

Externally restricted contributions, such as government grants, are deferred and recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for the purchase or development of capital or intangible assets are recognized on the same basis the related assets.

Expense allocation

The organization allocates staff salaries, benefits and overhead costs to five cost centres based on the estimated percentage of staff time spent on each program area. The allocation of staff time is reviewed and adjusted as needed each year as part of the budgeting process (see note 10).

Deferred capital contributions

Contributions received for capital assets are deferred in the accounts and amortized over the same terms and on the same basis as the related capital assets.

Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Examples of estimates are the allocation of salaries, benefits and overhead expenses to the the cost centres based on the estimated percentage of staff time spent on each program area, the allocation of a portion of the purchase price of the property to land value, the expected useful life of capital and intangible assets, and accrued liabilities. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Contributed services

Volunteers contribute many hours per year to assist the organization in carrying out its objectives. These voluntary efforts represent a major contribution, which are not recognized in these financial statements.

Sponsors also provide services at no charge to the organization. The value of these contributions is not recognized in these financial statements.

ONTARIO GOOD ROADS ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

2. CASH

Cash is composed of cash on deposit with financial institutions.

3. INVESTMENTS

Investments are held at RBC Dominion Securities. These investments are recorded at market value and both realized and unrealized gains or losses are recorded in the statement of operations. Short-term investment are composed of guaranteed investment certificates which mature within one year and funds held in the investment savings account. The composition of investments is as follows:

	<u>2017</u>	<u>2016</u>
Guaranteed investment certificates	\$ 1,520,987	\$ 1,604,677
RBC investment savings account	732	266,176
Preferred shares	<u>47,320</u>	<u>41,577</u>
	1,569,039	1,912,430
Less short-term investments	<u>620,487</u>	<u>1,133,078</u>
Long-term investments	<u>\$ 948,552</u>	<u>\$ 779,352</u>

In 2017 the organization recognized investment income of \$33,873 (\$31,163 in 2016).

4. CAPITAL ASSETS

Tangible assets, recorded at cost, are as follows:

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>2017 Net</u>	<u>2016 Net</u>
Land	\$ 360,000		\$ 360,000	\$ 360,000
Building	1,361,758	\$ 217,014	1,144,744	1,178,413
Furniture & fixtures	<u>67,942</u>	<u>67,942</u>	<u> </u>	<u>8,996</u>
	<u>\$ 1,789,700</u>	<u>\$ 284,956</u>	<u>\$ 1,504,744</u>	<u>\$ 1,547,409</u>

Intangible assets, recorded at cost, are as follows:

Computer software	\$ 128,588	\$ 66,448	\$ 62,140	\$ 169,974
Patents	<u> </u>	<u> </u>	<u> </u>	<u>50,000</u>
	<u>\$ 128,588</u>	<u>\$ 66,448</u>	<u>\$ 62,140</u>	<u>\$ 219,974</u>

ONTARIO GOOD ROADS ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

5. MORTGAGE PAYABLE

The organization has a credit facility with the Canadian Imperial Bank of Commerce regarding the purchase of the property at 1525 Cornwall Road, Oakville. It is a non-revolving demand instalment loan, with interest calculated at prime plus 0.25% per annum, and is secured by the property.

The facility is repayable upon demand and therefore is shown as a current liability on the statement of financial position. Until demanded, it is repayable in blended monthly payments of \$4,120. The mortgage agreement allows for annual lump sum repayments. An additional lump sum payment of \$100,000 was made in fiscal 2014.

The interest expense on this credit facility amounted to \$13,865 in 2017 (\$14,130 in 2016).

The estimated minimum principal repayments are as follows:

2018	\$	35,314
2019		36,560
2020		37,851
2021		39,188
2022		40,571
Thereafter		<u>233,224</u>
	\$	<u>422,708</u>

6. DEFERRED REVENUE

Deferred revenue represents funds received in the current year for events or services to be provided in a subsequent year. The details of the balance at year end is as follows:

	<u>2017</u>	<u>2016</u>
Annual conference	\$ 406,940	\$ 389,575
Educational programs	297,829	246,502
Memberships	170,707	82,992
MMS litigation fund	113,300	113,300
Ontario Ministry of Transportation Safety Promotion		<u>25,000</u>
	<u>\$ 988,776</u>	<u>\$ 857,369</u>

The continuity of deferred revenue for the year is as follows:

Deferred revenue, beginning of year	\$ 857,369	\$ 685,891
Add operating revenue received or receivable	4,350,292	4,641,790
Less operating revenue recognized	<u>(4,218,885)</u>	<u>(4,470,312)</u>
Deferred revenue, end of year	<u>\$ 988,776</u>	<u>\$ 857,369</u>

ONTARIO GOOD ROADS ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions are comprised of externally restricted funding received for the development of software. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The continuity of the deferred capital contributions is as follows:

	<u>2017</u>	<u>2016</u>
Deferred capital contributions, beginning of year	\$ 45,451	\$ 119,000
Portion repayable to the contributor	(25,772)	
Less amortization of deferred capital contributions	<u>(19,679)</u>	<u>(73,549)</u>
Deferred capital contributions, end of year	<u>\$ NIL</u>	<u>\$ 45,451</u>

8. FINANCIAL INSTRUMENTS AND RISKS

Fair value

The organization's financial instruments consist of cash, investments, accounts receivable, accounts payable and mortgage payable. The carrying amounts for accounts receivable, accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments. The carrying amount of the mortgage payable represents its fair value as it is payable on demand. The investments are carried at market value, which approximates their fair value.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its long-term debt and accounts payable. The organization expects to meet obligations as they come due primarily from cash flow from operations.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risk relates to its accounts receivable. The organization provides credit to its members and customers in the normal course of its operations. To mitigate risk the company performs credit checks and imposes credit limits. The organization's losses due to credit historically have been minimal.

Periodically, the organization assesses the collectibility of its accounts receivable and provides an allowance for doubtful accounts as appropriate. At December 31, 2017, the allowance for doubtful accounts was nil (nil in 2016).

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 currency rates. The organization is not exposed to this risk since there are negligible foreign currency transactions at this time.

ONTARIO GOOD ROADS ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 organization is exposed to interest rate risk on its mortgage payable which has floating interest rates. This exposes the organization to a cash flow risk should rates increase.

9. BOARD-DESIGNATED FUNDS

Board-designated funds are internally-restricted reserves for special projects, as approved by the Board of Directors. During 2017, the Board approved net appropriations from these funds of \$57,285 (\$164,487 to the funds in 2016). The appropriations to the unrestricted net assets are made to fund expenditures incurred during the year on special projects, and the appropriations to the funds are to provide or increase a reserve for future projects.

10. EXPENSE ALLOCATION

The organization engages in various programs. The expenses that are directly related to each program, such as catering costs for the courses or conference, are allocated to the particular program. The organization also incurs a number of general overhead expenses that are common to the administration of the organization and each of its programs.

The organization allocates the staff salaries, benefits and other overhead costs to the program areas based on the estimated percentage of staff time spent in each area, as determined during the organization's budgeting process. The percentages applied are as follows:

	<u>2017</u>	<u>2016</u>
Education	34 %	33 %
Administration	20 %	18 %
Member services	23 %	26 %
Conference	12 %	12 %
Advocacy	<u>11 %</u>	<u>11 %</u>
	<u>100 %</u>	<u>100 %</u>

ONTARIO GOOD ROADS ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

11. RECONCILIATION OF INCOME TAX PROVISION

The impact of the difference between the organization's reported income tax expense on operating income and the expense that would otherwise result from the application of statutory rates to its for-profit subsidiary's results is as follows:

	<u>2017</u>
Income tax recovery at combined basic federal and provincial tax rate at 15% on consolidated loss for the year	\$ 11,577
Less loss attributable to not-for-profit parent company	(10,688)
Non-deductible expenses	(813)
Capital cost allowance claimed in excess of amortization	2,735
Available to be applied to future years	<u>(2,811)</u>
Effective income tax recovery	<u>\$ NIL</u>

12. INCOME TAXES

The subsidiary has non-capital losses, for income tax purposes, of \$18,741 that are available to reduce future taxable income. These losses expire in 2037. The subsidiary made no income tax payments in 2017.

13. COMMITMENTS

The organization has commitments under operating leases for various office equipment, as follows:

December 31, 2018	\$ 18,462
2019	18,462
2020	16,928
2021	12,324
2022	12,324
2023	<u>6,162</u>
	<u>\$ 84,662</u>

The organization has pledged to contribute \$500,000 towards the establishment of the Chair in Asset Management and Informatics within the Department of Civil Engineering at the University of Toronto. This gift will be satisfied on the basis of five payments of \$100,000 each commencing January 1, 2019.

In 2016, the Board of Directors created the Reserve for the Chair in Asset Management to fund this commitment, and approved the appropriation of \$100,000 to this reserve. A further \$100,000 was appropriated to this reserve in 2017 (see note 9).