

**COPA SPECIAL ACTION FUND INC.
OPERATING AS "FREEDOM TO FLY FUND"**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

**Independent Auditors' Report
Statement of Financial Position
Statement of Revenue and Expenses
Statement of Changes in Net Assets
Statement of Cash Flows
Notes to Financial Statements**



INDEPENDENT AUDITOR'S REPORT

To the Directors of:
COPA Special Action Fund Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of COPA Special Action Fund Inc., which comprise the statement of financial position as at December 31, 2016, and the statement of operations, changes in net assets 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 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 financial statements based on our audits. We conducted our audits 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amount 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In common with similar organizations, the Fund derives revenue from the general public in the form of contributions and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the Fund and we were not able to determine whether any adjustments might be necessary.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of COPA Special Action Fund Inc. as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads "Frouin Group".A large, faint, light blue watermark of a compass rose is visible in the background of the lower half of the page.

Frouin Group Professional Corporation
Ottawa, ON
May 2, 2017

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

FROUIN GROUP PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS

2301 Carling Avenue, Suite 101, Ottawa, ON K2B 7G3
Tel: 613-230-1022 Fax: 613-230-2954

**COPA SPECIAL ACTION FUND INC.
OPERATING AS "FREEDOM TO FLY FUND"**

AUDITED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 48,321	\$ 146,040
Short-term investments (note 5)	200,430	196,197
Prepaid internship (note 6)	<u>45,000</u>	<u>0</u>
	293,751	342,237
LONG TERM INVESTMENTS (note 5)	<u>574,501</u>	<u>691,522</u>
TOTAL ASSETS	<u>\$ 868,252</u>	<u>\$ 1,033,759</u>
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Due to COPA (note 3)	\$ <u>26,649</u>	\$ <u>9,363</u>
NET ASSETS		
Internally restricted Initial Response Fund	10,000	10,000
Unrestricted net assets	<u>831,603</u>	<u>1,014,396</u>
	<u>841,603</u>	<u>1,024,396</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 868,252</u>	<u>\$ 1,033,759</u>

APPROVED ON BEHALF OF THE BOARD :

Director _____

Director _____

(See accompanying Notes to Financial Statements)

**COPA SPECIAL ACTION FUND INC.
OPERATING AS "FREEDOM TO FLY FUND"**

AUDITED STATEMENT OF REVENUE AND EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
REVENUES		
Donations	\$ 20,972	\$ 22,248
Investment income	<u>15,182</u>	<u>23,375</u>
	<u>36,154</u>	<u>45,623</u>
EXPENSES		
Initial Response Fund	12,143	6,711
Aerodrome NPA	0	13,991
Neuville	1,663	380
Wind Turbine Proximity Project	191,708	0
Administration fees to COPA (note 3)	10,338	10,188
Other	<u>3,095</u>	<u>8,805</u>
	<u>218,947</u>	<u>40,075</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES FOR THE YEAR	<u>\$ (182,793)</u>	<u>\$ 5,548</u>

(See accompanying Notes to Financial Statements)

COPA SPECIAL ACTION FUND INC.
AUDITED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
NET ASSETS INTERNALLY RESTRICTED TO INITIAL RESPONSE FUND		
Balance - end of year	\$ <u>10,000</u>	\$ <u>10,000</u>
UNRESTRICTED NET ASSETS		
Balance - beginning of year	\$ 1,014,396	\$ 1,008,848
Excess (deficit) of revenue over expenses for the year	<u>(182,793)</u>	<u>5,548</u>
Balance - end of year	\$ <u>831,603</u>	\$ <u>1,014,396</u>

(See accompanying Notes to Financial Statements)

**COPA SPECIAL ACTION FUND INC.
OPERATING AS "FREEDOM TO FLY FUND"**

AUDITED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficit) of revenue over expenses for the year	\$ (182,793)	\$ 5,548
Investment income	15,182	23,375
Net change in non-cash working capital		
Prepaid expenses	(45,000)	0
Due to / (from) COPA	17,288	9,396
	<u>(195,323)</u>	<u>38,319</u>
INVESTING ACTIVITIES		
Net sales of long-term investments	<u>101,837</u>	<u>259,745</u>
NET CHANGE IN CASH & EQUIVALENTS	(93,486)	298,064
Cash & equivalents - beginning of year	<u>342,237</u>	<u>44,173</u>
CASH & EQUIVALENTS - END OF YEAR	\$ <u>248,751</u>	\$ <u>342,237</u>
REPRESENTED BY:		
Cash	\$ 48,321	\$ 146,040
Short-term investments	<u>200,430</u>	<u>196,197</u>
	\$ <u>248,751</u>	\$ <u>342,237</u>

(See accompanying Notes to Financial Statements)

**COPA SPECIAL ACTION FUND INC.
OPERATING AS "FREEDOM TO FLY FUND"**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1. PURPOSE OF THE ORGANIZATION

The COPA Special Action Fund Inc. (operating as the "Freedom to Fly Fund") is empowered to solicit contributions to be used at the Board of Directors' discretion to pay legal and other professional fees and expenses in connection with contemplated actions and public relations campaigns as a means to influence and convince all levels of government and their agencies to provide more appropriate and sound aeronautical legislation and regulation. The Fund was incorporated under the Canada Corporations Act as a not-for-profit organization, and as such is not subject to income tax.

The financial statements of the Fund have not been consolidated with those of the Canadian Owners and Pilots Association (COPA).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Actual results may differ from those estimates.

b) Investments

Investments are measured at fair value at each reporting date, with gains and losses recognized in the statement of revenues and expenses as part of investment income.

c) Internally restricted net assets

The board has internally restricted \$10,000 as an initial response reserve.

d) Revenue recognition

The Fund follows the deferral method of accounting for contributions whereby restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

**COPA SPECIAL ACTION FUND INC.
OPERATING AS "FREEDOM TO FLY FUND"**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Allocation of expenses

COPA charges an administration fee to cover the cost of managing the Fund on an appropriate basis and consistently each year.

The admin fee is 1% of the previous years net assets.

3. RELATED PARTIES

The Fund is controlled by the Canadian Owners and Pilots Association (COPA). Membership in the Fund is limited to the directors of COPA and its directors must be either officers or directors of the Executive Committee of COPA.

The Fund shares accommodation with COPA, which provides office personnel, telephone and other services. It paid COPA an administrative fee of \$10,338 (2015 - \$10,188). The Fund has a payable in the amount of \$26,649 to COPA (2015 - \$9,363)

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash, short-term investments and amounts due to COPA approximate their fair value due to the relatively short period to maturity of the instruments. Long-term investments are carried at fair value. Unless otherwise noted, it is management's opinion that the Fund is not exposed to significant interest or currency risks arising from these financial instruments.

The organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The organization's maximum exposure to credit risk represents the sum of the carrying value of its cash and short and long-term investments. The organizations cash is deposited with a Canadian chartered bank and a major investment broker; as a result management believes the risk of loss on this item is remote. Management reduces the credit risk attributable to its short-term and long-term investments by investing in conservative investments.

**COPA SPECIAL ACTION FUND INC.
OPERATING AS "FREEDOM TO FLY FUND"**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

5. INVESTMENTS

	Initial Cost	Maturity Date	Yield	2016 Fair Value	2015 Fair Value
Short-term investments					
Government of Canada	195,000	06-01-16	2.000%	\$ 0	\$ 196,197
GE Capital Canada Funding	46,000	17-08-17	5.530%	48,201	0
Glacier Credit Card Trust	51,000	20-10-17	2.394%	51,722	0
Toronto Dominion Bank	49,000	15-08-17	2.433%	49,873	0
Wells Fargo Canada Corp	51,800	09-02-17	2.774%	50,634	0
				<u>\$ 200,430</u>	<u>\$ 196,197</u>
Long-term investments					
Bank of Nova Scotia Fxd	63,000	18-10-24	3.036%	\$ 65,389	\$ 64,848
Canadian Housing Trust S. 40	54,000	15-06-21	3.800%	59,525	0
Canadian Housing Trust S. 51	98,000	15-06-18	1.750%	99,444	100,269
Canadian Housing Trust S. 56	96,000	15-12-18	2.350%	98,756	100,073
GE Capital Canada Funding	46,000	17-08-17	5.530%	0	49,077
Glacier Credit Card Trust	51,000	20-10-17	2.394%	0	51,813
Province of British Columbia	58,000	18-12-19	4.100%	62,877	64,527
Province of Quebec	27,000	01-12-21	4.250%	30,304	0
Province of Ontario	84,000	02-06-20	4.200%	92,029	94,263
Royal Bank of Canada	64,000	06-12-19	2.990%	66,177	65,880
Toronto Dominion Bank	49,000	08-15-17	2.433%	0	49,915
Wells Fargo Canada Corp	50,000	02-09-17	2.774%	0	50,857
				<u>\$ 574,501</u>	<u>\$ 691,522</u>
				<u>\$ 774,931</u>	<u>\$ 887,719</u>

6. PREPAID INTERNSHIP

During the current year, COPA entered in to an agreement with Mitacs on behalf of COPA Special Action Fund to help support the cost of a student internship from January 1, 2017 to December 31, 2018 for their work on aircraft piston engine detonation measurements and data analysis.

**COPA SPECIAL ACTION FUND INC.
OPERATING AS "FREEDOM TO FLY FUND"**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

7. FINANCIAL RISK MANAGEMENT POLICY

COPA Special Action Fund Inc. is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at December 31, 2016:

a) Credit risk

Credit risk associated with their investments is minimized by investing these assets in GICs. An ongoing review is performed to evaluate changes in the status of investments under the organization's investment policy.

b) Currency risk

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

c) Liquidity risk

The organization manages its liquidity risk by regularly monitoring forecasted and actual cash flow and financial liability maturities, and by holding assets that can be readily converted into cash. Accounts payable are normally paid within 30 days.

d) Interest rate risk

The organization is exposed to interest rate risk with regards to its cash and short-term and long-term investments. The organization has no interest-bearing liability. Fluctuations in market rates of interest on cash do not have a significant impact on the organization's results of operations. GICs have a low interest rate risk due to their short-term nature. Therefore, this risk does not have a significant impact.