

CANADIAN OWNERS AND PILOTS ASSOCIATION
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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 AUDITORS' REPORT

To the Directors of:
Canadian Owners and Pilots Association

Report on the Financial Statements

We have audited the accompanying financial statements of Canadian Owners and Pilots Association, which comprise the statement of financial position as at December 31, 2017 and the statement of operations, changes in net assets and cash flows for the years 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.

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 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 audit is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

Deferred memberships are recorded based on management's estimate regarding the unexpired portions of memberships as of December 31, 2017. This estimate was prepared on the basis of total memberships issued during the year and prorated based on the month the membership was issued. Due to information not being available from the membership database as to the start and end dates of individual memberships, our verification was limited to the timing of cash received. As such, we were unable to conclude whether an adjustment to deferred memberships and membership revenue would be necessary to accurately account for unexpired memberships issued as of December 31, 2017.

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

Qualified Opinion

In our qualified opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the accuracy and completeness of the deferred memberships referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Canadian Owners and Pilots Association as at December 31, 2017 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.



Frouin Group Professional Corporation
Ottawa, ON
April 14, 2018

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



FROUIN
GROUP

CANADIAN OWNERS AND PILOTS ASSOCIATION
AUDITED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	2017	2016 (Restated)
ASSETS		
CURRENT ASSETS		
Cash	\$ 97,791	\$ 575,589
Short-term investments (Note 5)	0	455,079
Accounts receivable	71,692	146,261
Government rebates	9,140	0
Due from COPA Special Action Fund Inc. (Note 7)	23,767	26,648
Due from COPA Flight Safety Foundation (Note 7)	0	186
Prepaid expenses	<u>26,490</u>	<u>51,273</u>
	228,880	1,255,036
LONG-TERM INVESTMENTS (Note 5)	2,104,366	1,154,434
PROPERTY AND EQUIPMENT (Notes 4)	<u>63,152</u>	<u>20,801</u>
TOTAL ASSETS	<u>\$ 2,396,398</u>	<u>\$ 2,430,271</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 39,942	\$ 48,112
Due to COPA Flight Safety Foundation (Note 7)	1,273	0
Government remittances	0	4,165
Deferred memberships (Note 2c)	698,573	703,299
Deferred lease inducement	<u>28,094</u>	<u>15,746</u>
	<u>767,882</u>	<u>771,322</u>
NET ASSETS		
Internally restricted to general reserve	1,700,000	1,700,000
Invested in capital assets	63,152	20,801
Unrestricted	<u>(134,636)</u>	<u>(61,852)</u>
	<u>1,628,516</u>	<u>1,658,949</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,396,398</u>	<u>\$ 2,430,271</u>

APPROVED ON BEHALF OF THE BOARD :

Director _____

Director _____

(See accompanying Notes to Financial Statements)

CANADIAN OWNERS AND PILOTS ASSOCIATION
AUDITED STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016 (Restated)
REVENUES		
Memberships	\$ 853,391	\$ 877,724
Publishing	0	133,355
Safety promotion support	254,884	189,574
Membership programs	104,060	102,907
Investment income	143,042	31,357
COPA collection	3,800	1,194
Management fees	32,683	34,338
COPA convention	<u>77,625</u>	<u>27,723</u>
	<u>1,469,485</u>	<u>1,398,172</u>
EXPENSES		
Salaries and benefits	554,685	705,222
Publishing	156,472	259,212
Bad debt expense	4,292	0
Office rent	62,272	91,736
Travel	39,884	29,945
Meeting and directors' expenses	73,021	74,846
Insurance	34,393	34,002
Office	115,078	101,052
Bank and service fees	45,133	30,154
Promotion	55,483	87,945
Projects	50,342	0
Professional fees	151,646	68,383
Membership	51,127	28,403
Amortization of capital assets (Note 2b)	7,781	5,747
Convention expenses	<u>93,021</u>	<u>17,250</u>
	<u>1,494,630</u>	<u>1,533,897</u>
EXCESS DEFICIT OF REVENUE OVER EXPENSES FROM OPERATIONS	(25,145)	(135,725)
Gain (loss) on disposal of assets	<u>(5,288)</u>	<u>0</u>
NET EXCESS (DEFICIT)	\$ <u>(30,433)</u>	\$ <u>(135,725)</u>

(See accompanying Notes to Financial Statements)

CANADIAN OWNERS AND PILOTS ASSOCIATION
AUDITED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016 (Restated)
NET ASSETS INTERNALLY RESTRICTED TO GENERAL RESERVE		
Balance - beginning of year	\$1,700,000	\$1,700,000
Transfer from unrestricted net assets	<u>0</u>	<u>0</u>
Balance - end of year	<u>\$1,700,000</u>	<u>\$1,700,000</u>
NET ASSETS INVESTED IN CAPITAL ASSETS		
Balance - beginning of year	\$ 20,801	\$ 14,003
Purchase of capital assets net of disposals	50,132	12,545
Amortization	<u>(7,781)</u>	<u>(5,747)</u>
Balance - end of year	<u>\$ 63,152</u>	<u>\$ 20,801</u>
UNRESTRICTED NET ASSETS		
Balance - beginning of year, as previously stated	\$ (61,852)	\$ 87,915
Prior period adjustment (Note 10)	<u>0</u>	<u>(7,244)</u>
Balance, beginning of year, restated	(61,852)	80,671
Excess (deficit) of revenue over expenses for the year, as previously stated	(30,433)	(114,668)
Prior period adjustment (Note 10)	<u>0</u>	<u>(21,057)</u>
Excess (deficit) of revenue over expenses for the year, restated	(30,433)	(135,725)
Purchase of capital assets net of disposals	(50,132)	(12,545)
Amortization	<u>7,781</u>	<u>5,747</u>
Balance - end of year	<u>\$ (134,636)</u>	<u>\$ (61,852)</u>

(See accompanying Notes to Financial Statements)

CANADIAN OWNERS AND PILOTS ASSOCIATION
AUDITED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016 (Restated)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess (deficit) of revenue over expenses for the year	\$ (30,433)	\$ (135,725)
Prior period adjustment	0	(7,244)
Add: Amortization	<u>7,781</u>	<u>5,747</u>
	(22,652)	(137,222)
Net change in non-cash working capital		
Accounts receivable	74,569	(107,596)
Due from COPA Special Action Fund	2,881	(17,285)
Due from COPA Flight Safety Foundation	1,459	12,849
Prepaid expenses	24,783	(22,409)
Inventory	0	4,726
Accounts payable and accrued liabilities	(21,476)	29,597
Deferred revenue	<u>7,623</u>	<u>66,403</u>
	<u>67,187</u>	<u>(170,937)</u>
INVESTING ACTIVITIES		
Net (purchase) disposal of capital assets	(50,132)	(12,545)
Net (purchases) sales of long-term investments	<u>(949,932)</u>	<u>421,572</u>
	<u>(1,000,064)</u>	<u>409,027</u>
NET INCREASE (DECREASE) IN CASH & EQUIVALENTS DURING THE YEAR	(932,877)	238,090
CASH AND EQUIVALENTS, beginning of year	<u>1,030,668</u>	<u>792,578</u>
CASH AND EQUIVALENTS, end of year	<u>\$ 97,791</u>	<u>\$ 1,030,668</u>
REPRESENTED BY		
Cash	\$ 97,791	\$ 575,589
Short-term investments	<u>0</u>	<u>455,079</u>
	<u>\$ 97,791</u>	<u>\$ 1,030,668</u>

(See accompanying Notes to Financial Statements)

CANADIAN OWNERS AND PILOTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. PURPOSE OF THE ORGANIZATION

The Canadian Owners and Pilots Association is engaged in the promotion of flight safety through education and workshops and raises awareness of important issues facing the flying community. Funds are primarily generated through membership fees which include a portion attributable to a subscription to the COPA Flight newspaper. The Association was incorporated under the Canada Corporations Act as a not-for-profit organization and, as such, is exempt from income tax.

These financial statements do not include the accounts of the COPA Flight Safety Foundation and the COPA Special Action Fund Inc. as detailed in note 8.

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) Capital Assets

Capital assets are recorded at cost. Amortization is provided on the straight-line basis over the assets' estimated useful lives as follows:

Furniture and fixtures	10 years
Computer equipment	3 years
Leasehold improvements	87 months

c) Revenue recognition

The Association follows the deferral method of accounting for revenue. Membership revenue is recognized on a pro-rata basis over the full term of the membership. Deferred membership revenue represents the unexpired portion of memberships received. Publishing revenue is derived from inserts, classified and display advertisements - revenue is recognized when advertisements are published in COPA publications. Revenue from COPA Collection sales are recognized when the goods are delivered. Registration and sponsorship revenue from events is recognized when the event occurs.

CANADIAN OWNERS AND PILOTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) 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.

e) Net assets internally restricted as reserves

The general reserve was established by the Board to cover general operating expenses for one year.

f) Cash and equivalents

Cash and equivalents include all bank balances and investment cash.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash, short-term investments, accounts receivable, due from COPA Special Action Fund Inc., due from COPA Flight Safety Foundation and accounts payable and accrued liabilities approximate their fair value due to the relatively short period to maturity of the instruments. Long-term investments are carried at fair value. It is management's opinion that COPA is not exposed to significant interest or currency risks arising from these financial instruments.

The Association is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Association's maximum exposure to credit risk represents the sum of the carrying value of its cash, short and long term investments, accounts receivable, due from COPA Special Action Fund Inc., and due from COPA Flight Safety Foundation. The Association's cash is deposited with a Canadian chartered bank and a major investment broker, and as a result management believes the risk of loss on this item is remote. Management reduces the credit risk attributable to its short term investments by investing in conservative investments. Management believes that most of its accounts receivable at year-end will be collected and, consistent to previous years, has established an allowance for doubtful accounts. Amounts due from COPA Special Action Fund Inc. and due from COPA Flight Safety Foundation are not expected to be a collection problem since they are related parties.

CANADIAN OWNERS AND PILOTS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value 2017	Net Book Value 2016
Furniture and fixtures	\$ 50,104	\$ (39,826)	\$ 10,278	\$ 14,351
Computer equipment	173,302	(124,782)	48,520	6,450
Leasehold improvements	<u>5,051</u>	<u>(697)</u>	<u>4,354</u>	<u>0</u>
TOTAL	<u>\$ 228,457</u>	<u>\$ (165,305)</u>	<u>\$ 63,152</u>	<u>\$ 20,801</u>

5. INVESTMENTS

	Initial Cost	Maturity Date	Yield	2017 Fair Value	2016 Fair Value
Short-term investments					
GE Capital Canada	116,186	17-08-17	5.530%	\$ 0	\$ 110,023
Glacier Credit Card Trust	115,500	20-10-17	2.394%	0	116,628
Toronto Dominion Bank	114,035	15-08-17	2.433%	0	113,996
Wells Fargo Canada	114,521	09-02-17	2.774%	0	114,432
				<u>0</u>	<u>455,079</u>
Long-term investments					
Canada Housing Trust	225,332	15-12-18	2.350%	0	226,316
Canada Housing Trust	220,972	15-06-18	1.750%	0	226,295
Canada Housing Trust	136,111	15-06-21	3.800%	0	132,278
Province of BC	135,000	18-12-19	4.100%	140,118	145,268
Province of Ontario	188,000	02-06-20	4.200%	198,699	205,970
Province of Quebec	68,910	01-12-21	4.250%	0	67,342
Royal Bank of Canada	148,131	06-12-24	2.990%	0	150,965
Industrial Alliance	51,457	23-02-27	2.640%	51,350	0
Horizons Active Floating Rate	98,054	N/A	N/A	9,750	0
Horizons Active Preferred	104,940	N/A	N/A	112,289	0
RBC High Yield Bond	136,111	N/A	N/A	105,638	0
BMO INTL Dividend ETF	123,532	N/A	N/A	118,985	0
BMO US Dividend ETF	202,983	N/A	N/A	213,451	0
Horizons Active Cdn Div ETF	243,801	N/A	N/A	252,164	0
Horizons E/I US EQ-E ETF	100,878	N/A	N/A	104,190	0
Ishares Core S&P 500 ETF	202,875	N/A	N/A	226,733	0
Ishares Core S&P/TSX ETF	223,411	N/A	N/A	234,732	0
NBC Auto Callable Contingent	98,054	N/A	N/A	101,624	0
Vanguard FTSE Developed ETF	111,284	N/A	N/A	125,493	0
BMO Equal Weight REITS Index	101,007	N/A	N/A	109,150	0
				<u>2,104,366</u>	<u>1,154,434</u>
				<u>\$ 2,104,366</u>	<u>\$ 1,609,513</u>

CANADIAN OWNERS AND PILOTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

6. COMMITMENTS

The Association has leased office space at an annual rate of rent of approximately \$28,631 per year plus operating costs effective until March 31, 2025.

The Association has entered into a four year Professional Services Agreement with Canadian Aviator Publishing Ltd. to assist with the editing and design of COPA Flight magazine. This agreement requires the Association to issue payments totaling \$152,500 plus HST per year.

The Association has entered into a catering sales event agreement with InnVest Hotels GP Limited for accommodations and meals relating to the 2018 convention. In the situation that the event is cancelled, the Association would be liable to pay a cancellation fee between \$23,130 and \$46,260 depending on the date of cancellation.

The Association has entered into various contracts and leases for office equipment. The approximate annual payments for these contracts is as follows:

2018	\$ 15,400
2019	\$ 15,400
2020	\$ 10,919
2021	\$ 3,733

The Association has entered into a contract with LudoStudio with the purpose of redesigning the website and to provide ongoing support. Total annual payments as a result of this ongoing contract are \$3,540 plus HST.

7. RELATED PARTIES

The Canadian Owners and Pilots Association (COPA) controls the following not-for-profit organizations. In each case, membership in the organization is limited to the directors of COPA and the directors of the controlled organization must be either officers or members of the Executive Committee of COPA. These organizations have not been consolidated in COPA's financial statements, but financial statements for each of the controlled organizations are available upon request.

CANADIAN OWNERS AND PILOTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

7. RELATED PARTIES (CONTINUED)

(a) COPA Flight Safety Foundation (the Foundation) is an organization incorporated under the laws of Canada without share capital. It is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors. The Foundation solicits donations and other funding to promote flight safety by way of an annual safety bulletin publication. The Neil Armstrong Scholarship Fund is a fund maintained within the Foundation to provide annual flight training annuities to qualified scholarship applicants.

(b) COPA Special Action Fund (the Fund) is an organization incorporated under the laws of Canada without share capital. It is empowered to solicit contributions to be used at the discretion of the Board of Directors 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.

COPA Flight Safety Foundation	2017	2016
Total Assets	\$ <u>200,576</u>	\$ <u>171,537</u>
Total liabilities	\$ 3,363	\$ 3,838
Fund balances	<u>197,213</u>	<u>167,699</u>
Total liabilities and fund balances	\$ <u>200,576</u>	\$ <u>171,537</u>
Total revenue	\$ 43,797	\$ 20,666
Total expenses	<u>14,283</u>	<u>9,129</u>
Excess of expenses over revenue for the year	\$ <u>29,514</u>	\$ <u>11,537</u>
Cash provided (used) by operating activities	\$ 28,054	\$ (1,313)
Cash provided (used) in investing activities	<u>(80,897)</u>	<u>52,493</u>
Net change in cash during the year	\$ <u>(52,843)</u>	\$ <u>51,180</u>
Due from (to) COPA	\$ <u>1,273</u>	\$ <u>(186)</u>

CANADIAN OWNERS AND PILOTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

7. RELATED PARTIES (CONTINUED)

COPA Special Action Fund Inc. operating as "Freedom to Fly Fund"	2017	2016
Total assets	\$ <u>858,666</u>	\$ <u>868,252</u>
Total liabilities	\$ 23,767	\$ 26,648
Internally restricted net assets	10,000	10,000
Unrestricted net assets	<u>824,899</u>	<u>831,603</u>
Total liabilities and net assets	\$ <u>858,666</u>	\$ <u>868,251</u>
Total revenue	\$ 84,797	\$ 36,154
Total expenses	<u>91,501</u>	<u>218,947</u>
Excess of expenses over revenue	\$ <u>(6,704)</u>	\$ <u>(182,793)</u>
Cash used in operating activities	\$ 73,377	\$ (195,323)
Cash used in investing activities	<u>(301,829)</u>	<u>101,837</u>
Net increase in cash during the year	\$ <u>(228,452)</u>	\$ <u>(93,486)</u>
Due to / (from) COPA	\$ <u>23,767</u>	\$ <u>26,648</u>
Administration fees paid to COPA	\$ <u>8,683</u>	\$ <u>10,338</u>

CANADIAN OWNERS AND PILOTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

8. FINANCIAL RISK MANAGEMENT POLICY

Canadian Owners and Pilots Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at December 31, 2017:

a) Credit risk

Credit risk associated with their investments is minimized by investing these assets in fixed income investments and widely-traded equities and fixed income funds. An ongoing review is performed to evaluate changes in the status of investments under the Association's investment policy.

b) Currency risk

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

c) Liquidity risk

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

9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current presentation.

10. PRIOR PERIOD ADJUSTMENT

Due to an increasing amount of lifetime memberships being sold, it was determined that a portion of the revenues derived from these sales should be deferred over a period of 15 years. A prior period adjustment was recorded to reflect the deferred portion of lifetime memberships as of December 31, 2016. As a result, an adjustment to opening net assets in 2016 of \$7,244 was required. Additionally, membership revenues for 2016 were reduced by \$21,057, which represents the deferred portion of the lifetime memberships which were sold in 2016.