

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

**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:
COPA Special Action Fund Inc.

Qualified Opinion

We have audited the financial statements of COPA Special Action Fund Inc., which comprise the statement of financial position as at December 31, 2019, and the statement of operations, statement of changes in net assets and cash flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of COPA Special Action Fund Inc. as at December 31, 2019, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, COPA Special Action Fund Inc. derives revenue from contributions and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of COPA Special Action Fund Inc. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses, cash flows from operations and net assets for both December 31, 2019 and the previous year.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high-level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted audit standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Frouin Group Professional Corporation
Ottawa, ON
April 15, 2020

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

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

AUDITED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 32,322	\$ 7,262
Short-term investments (note 5)	42,322	59,237
Due from COPA (note 3)	<u>21,395</u>	<u>0</u>
	96,039	66,499
LOAN RECEIVABLE (note 6)	25,000	25,000
LONG-TERM INVESTMENTS (note 5)	<u>621,843</u>	<u>659,802</u>
TOTAL ASSETS	<u>\$ 742,882</u>	<u>\$ 751,301</u>
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Due to COPA (note 3)	\$ <u>0</u>	\$ <u>58,515</u>
NET ASSETS		
Internally-restricted Initial Response Fund	10,000	10,000
Unrestricted net assets	<u>732,882</u>	<u>682,786</u>
	<u>742,882</u>	<u>692,786</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 742,882</u>	<u>\$ 751,301</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, 2019

	2019	2018
REVENUES		
Donations	\$ 35,248	\$ 25,027
Investment income (loss)	<u>99,189</u>	<u>(17,815)</u>
	<u>134,437</u>	<u>7,212</u>
EXPENSES		
Aerodrome des Moulins	4,310	75,555
BC Hangar Assessment	6,339	13,833
Newville	50,000	0
NRC 100LL	0	22,500
Administration fees to COPA (notes 2e and 3)	8,490	9,703
Other	<u>6,000</u>	<u>7,050</u>
	<u>75,139</u>	<u>128,641</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES FOR THE YEAR BEFORE INITIAL RESPONSE FUND	\$ 59,298	\$ (121,429)
Initial Response Fund expenses	<u>(9,202)</u>	<u>(20,684)</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES FOR THE YEAR	\$ <u>50,096</u>	\$ <u>(142,113)</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, 2019

	2019	2018
NET ASSETS INTERNALLY- RESTRICTED TO INITIAL RESPONSE FUND		
Balance - beginning of year	\$ 10,000	\$ 10,000
Expenses for the year	(9,202)	(20,684)
Transfer from unrestricted net assets	<u>9,202</u>	<u>20,684</u>
Balance - end of year	<u>\$ 10,000</u>	<u>\$ 10,000</u>
 UNRESTRICTED NET ASSETS		
Balance - beginning of year	\$ 682,786	\$ 824,899
Excess (deficit) of revenue over expenses for the year	59,298	(121,429)
Transfer from net assets internally-restricted to Initial Response Fund	<u>(9,202)</u>	<u>(20,684)</u>
Balance - end of year	<u>\$ 732,882</u>	<u>\$ 682,786</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, 2019

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficit) of revenue over expenses for the year	\$ 50,096	\$ (142,113)
Investment income (loss)	99,189	(17,815)
Net change in non-cash working capital		
Prepaid expenses	0	22,500
Due to / (from) COPA	<u>(79,910)</u>	<u>34,750</u>
	<u>69,375</u>	<u>(102,678)</u>
INVESTING ACTIVITIES		
Net activity of investments	(44,315)	114,641
Loan receivable	<u>0</u>	<u>(25,000)</u>
	<u>(44,315)</u>	<u>89,641</u>
NET CHANGE IN CASH	25,060	(13,037)
Cash - beginning of year	<u>7,262</u>	<u>20,299</u>
CASH - END OF YEAR	\$ <u>32,322</u>	\$ <u>7,262</u>
REPRESENTED BY:		
Cash	<u>\$ 32,322</u>	<u>\$ 7,262</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, 2019

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, 2019

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 and consistent basis each year.

The admin fee is 1% of the previous year's net assets plus HST.

f) Cash and equivalents

Cash and equivalents include all bank balances and investment cash.

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 \$8,490 (2018 - \$9,703). The Fund has a receivable in the amount of \$21,395 from COPA (2018 - payable of \$58,515).

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 Fund is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The maximum exposure to credit risk represents the sum of the carrying value of its cash and short and long-term investments. 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, 2019

5. INVESTMENTS

	Initial Cost	Maturity Date	Yield	2019 Fair Value	2018 Fair Value
Short-term investments					
Province of British Columbia	58,000	18-12-19	4.100%	\$ 0	\$ 59,237
Province of Ontario	41,771	02-09-20	4.200%	<u>42,322</u>	<u>0</u>
				<u>42,322</u>	<u>59,237</u>
Long-term investments					
Province of Ontario	41,771	02-09-20	4.200%	0	43,161
NBI Canadian Diversified Bond	103,982	N/A	N/A	103,863	45,141
PIMCO Monthly Income Fund	42,979	N/A	N/A	42,844	40,011
BMO Equal Weight REITS Index ETF	14,547	N/A	N/A	17,604	24,823
RBC High Yield Bond	37,896	N/A	N/A	37,738	35,031
BMO INTL Dividend ETF	37,243	N/A	N/A	34,419	42,252
BMO US Dividend ETF	70,853	N/A	N/A	77,744	86,710
Horizons Active Cdn Div ETF	60,422	N/A	N/A	69,341	58,028
Ishares Core S&P 500	56,343	N/A	N/A	77,791	82,566
Ishares Core S&P/TSX Capped	64,631	N/A	N/A	69,616	59,824
NBC Auto Callable Contingent ROC	25,548	N/A	N/A	31,035	38,823
NBI International High Conviction	32,258	N/A	N/A	34,848	0
MBAF Trust SRS-F	25,000	N/A	N/A	25,000	0
BMO Equal Weight Banks Index ETF	25,645	N/A	N/A	0	22,270
Vanguard FTSE Developed ETF	43,052	N/A	N/A	0	42,612
NBC Auto Callable Contingent Inc.	40,006	N/A	N/A	<u>0</u>	<u>38,550</u>
				<u>621,843</u>	<u>659,802</u>
				<u>\$ 664,165</u>	<u>\$ 719,039</u>

6. LOAN RECEIVABLE

During the prior year, COPA Special Action Fund loaned to A rodrome les Moulins the sum of \$25,000. The loan is non-interest bearing, and is repayable 3 years after the opening of the new airport, the date of which is currently indeterminable.

**COPA SPECIAL ACTION FUND INC.
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019:

a) Credit risk

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

b) Currency risk

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

c) Liquidity risk

The Fund 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 Fund is exposed to interest rate risk with regards to its cash and short-term and long-term investments. The Fund 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.