

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

**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:  
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, 2017, 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.

### 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

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 qualified 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, 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.

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  
April 14, 2018

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

FROUIN GROUP PROFESSIONAL CORPORATION  
CHARTERED PROFESSIONAL ACCOUNTANTS

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

**AUDITED STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2017**

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 20,299	\$ 48,321
Short-term investments (note 5)	0	200,430
Prepaid internship (note 6)	<u>22,500</u>	<u>45,000</u>
	<b>42,799</b>	<b>293,751</b>
<b>LONG TERM INVESTMENTS (note 5)</b>	<u><b>815,867</b></u>	<u><b>574,500</b></u>
<b>TOTAL ASSETS</b>	<u><b>\$ 858,666</b></u>	<u><b>\$ 868,251</b></u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>CURRENT LIABILITIES</b>		
Due to COPA (note 3)	<u>\$ 23,767</u>	<u>\$ 26,648</u>
<b>NET ASSETS</b>		
Internally restricted Initial Response Fund	10,000	10,000
Unrestricted net assets	<u>824,899</u>	<u>831,603</u>
	<u><b>834,899</b></u>	<u><b>841,603</b></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><b>\$ 858,666</b></u>	<u><b>\$ 868,251</b></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, 2017**

	2017	2016
<b>REVENUES</b>		
Donations	\$ 24,336	\$ 20,972
Investment income	<u>60,461</u>	<u>15,182</u>
	<u>84,797</u>	<u>36,154</u>
<b>EXPENSES</b>		
Neuville	0	1,663
NRC 100LL	22,500	0
Aerodrome des Moulins	25,000	0
Wind Turbine Proximity Project	25,199	191,708
Administration fees to COPA (note 3)	8,683	10,338
Other	<u>6,553</u>	<u>3,095</u>
	<u>87,935</u>	<u>206,804</u>
<b>EXCESS (DEFICIT) OF REVENUE OVER EXPENSES FOR THE YEAR BEFORE INITIAL RESPONSE FUND</b>	<b>\$ (3,138)</b>	<b>\$ (170,650)</b>
Initial Response Fund	<u>(3,566)</u>	<u>(12,143)</u>
<b>EXCESS (DEFICIT) OF REVENUE OVER EXPENSES FOR THE YEAR</b>	<b>\$ <u>(6,704)</u></b>	<b>\$ <u>(182,793)</u></b>

(See accompanying Notes to Financial Statements)

**COPA SPECIAL ACTION FUND INC.**  
**AUDITED STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>2017</b>	<b>2016</b>
<b>NET ASSETS INTERNALLY RESTRICTED TO INITIAL RESPONSE FUND</b>		
Balance - beginning of year	\$ 10,000	\$ 10,000
Expenses for the year	(3,566)	(12,143)
Transfer from unrestricted net assets	<u>3,566</u>	<u>12,143</u>
Balance - end of year	<u>\$ 10,000</u>	<u>\$ 10,000</u>
 <b>UNRESTRICTED NET ASSETS</b>		
Balance - beginning of year	\$ 831,603	\$ 1,014,396
Excess (deficit) of revenue over expenses for the year	(3,138)	(170,650)
Transfer from net assets internally restricted to initial response fund	<u>(3,566)</u>	<u>(12,143)</u>
Balance - end of year	<u>\$ 824,899</u>	<u>\$ 831,603</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, 2017**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess (deficit) of revenue over expenses for the year	\$ (6,704)	\$ (182,793)
Investment income	60,461	15,182
Net change in non-cash working capital		
Prepaid expenses	22,500	(45,000)
Due to / (from) COPA	<u>(2,880)</u>	<u>17,288</u>
	<u>73,377</u>	<u>(195,323)</u>
<b>INVESTING ACTIVITIES</b>		
Net activity of long-term investments	<u>(301,829)</u>	<u>101,837</u>
<b>NET CHANGE IN CASH &amp; EQUIVALENTS</b>	<b>(228,452)</b>	<b>(93,486)</b>
Cash & equivalents - beginning of year	<u>248,751</u>	<u>342,237</u>
<b>CASH &amp; EQUIVALENTS - END OF YEAR</b>	<b>\$ <u>20,299</u></b>	<b>\$ <u>248,751</u></b>
<b>REPRESENTED BY:</b>		
Cash	\$ 20,299	\$ 48,321
Short-term investments	<u>0</u>	<u>200,430</u>
	<b>\$ <u>20,299</u></b>	<b>\$ <u>248,751</u></b>

(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, 2017**

**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, 2017**

**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 year's net assets.

**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 \$8,683 (2016 - \$10,338). The Fund has a payable in the amount of \$23,767 to COPA (2016 - \$26,648)

**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, 2017**

**5. INVESTMENTS**

	Initial Cost	Maturity Date	Yield	2017 Fair Value	2016 Fair Value
<b>Short-term investments</b>					
GE Capital Canada Funding	46,000	17-08-17	5.530%	\$ 0	\$ 48,201
Glacier Credit Card Trust	51,000	20-10-17	2.394%	0	51,722
Toronto Dominion Bank	49,000	15-08-17	2.433%	0	49,873
Wells Fargo Canada Corp	51,800	09-02-17	2.774%	<u>0</u>	<u>50,634</u>
				<u>0</u>	<u>200,430</u>
<b>Long-term investments</b>					
Bank of Nova Scotia Fxd	63,000	18-10-24	3.036%	0	65,388
Canadian Housing Trust S. 40	54,000	15-06-21	3.800%	0	59,525
Canadian Housing Trust S. 51	98,000	15-06-18	1.750%	0	99,444
Canadian Housing Trust S. 56	96,000	15-12-18	2.350%	0	98,756
Province of British Columbia	58,000	18-12-19	4.100%	60,648	62,877
Province of Quebec	27,000	01-12-21	4.250%	0	30,304
Province of Ontario	41,771	02-06-20	4.200%	44,148	92,029
Royal Bank of Canada	64,000	06-12-19	2.990%	0	66,177
Vanguard FTSE Developed ETF	41,620	N/A	N/A	47,503	0
BMO Equal Weight REITS Index ETF	49,007	N/A	N/A	52,798	0
Horizons Active Floating Rate Senior	7,874	N/A	N/A	7,800	0
Horizons Active Preferred Share	49,748	N/A	N/A	53,240	0
RBC High Yield Bond	40,000	N/A	N/A	40,180	0
BMO INTL Dividend ETF	46,630	N/A	N/A	44,900	0
BMO US Dividend ETF	81,863	N/A	N/A	86,333	0
Horizons Active Cdn Div ETF	97,903	N/A	N/A	101,393	0
Horizons E/I US EQ-E ETF	40,967	N/A	N/A	42,054	0
Ishares Core S&P 500	81,966	N/A	N/A	91,783	0
Ishares Core S&P/TSX Capped	97,800	N/A	N/A	102,840	0
NBC Auto Callable Contingent	38,833	N/A	N/A	40,247	0
				<u>815,867</u>	<u>574,500</u>
				<u>\$ 815,867</u>	<u>\$ 774,930</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.  
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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**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, 2017:

**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.