



EFFICIENCYONE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2019

EFFICIENCYONE

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DECEMBER 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of EfficiencyOne:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of EfficiencyOne (“the Corporation”), which comprise the statement of financial position as at December 31, 2019 and the statements of operations and changes in fund balances and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2019, and results of its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “Auditors' Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Corporation 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 opinion.

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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 Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the 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 auditing 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 control.
- 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 Corporation 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.

Report on Other Legal and Regulatory Requirements

We have audited the Corporation's compliance, as at December 31, 2019, with the cost allocation criteria established by the Efficiency Nova Scotia Cost Allocation Methodology Report as filed with the Nova Scotia Utility and Review Board. Compliance with the cost allocation criteria is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this compliance based on our audit.

In our opinion, as at December 31, 2019, the Corporation has complied, in all material respects, with the cost allocation criteria established by the Efficiency Nova Scotia Cost Allocation Methodology Report.



April 2, 2020
Dartmouth, Nova Scotia

Chartered Professional Accountants
Licensed Public Accountants

EFFICIENCY ONE

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2019 (IN THOUSANDS)

	Demand-Side Management Fund	Provincial Fund	Other Business Fund	2019	Restated (Note 2) 2018
REVENUES					
Efficiency Nova Scotia (Note 5)	\$ 33,776	\$ 28,607	\$ -	\$ 62,383	\$ 49,347
Interest	281	586	-	867	657
Other (Note 5)	-	-	416	416	75
	<u>34,057</u>	<u>29,193</u>	<u>416</u>	<u>63,666</u>	<u>50,079</u>
DIRECT COSTS					
Incentives	21,309	22,808	163	44,280	33,567
Evaluation and verification	1,120	239	-	1,359	1,259
Program Support	1,298	71	38	1,407	756
	<u>23,727</u>	<u>23,118</u>	<u>201</u>	<u>47,046</u>	<u>35,582</u>
OTHER PROGRAM AND ADMINISTRATIVE COSTS					
Bad debt	7	-	-	7	-
Information technology	851	670	1	1,522	1,386
Marketing, outreach, education and research	1,904	1,354	170	3,428	3,112
Meetings and travel	153	93	3	249	181
Office and insurance	192	150	-	342	339
Professional fees and consulting	540	103	12	655	592
Rent	399	215	1	615	583
Salaries and benefits	6,133	3,363	28	9,524	7,961
Training and development	151	127	-	278	343
	<u>10,330</u>	<u>6,075</u>	<u>215</u>	<u>16,620</u>	<u>14,497</u>
TOTAL COSTS	<u>34,057</u>	<u>29,193</u>	<u>416</u>	<u>63,666</u>	<u>50,079</u>
NET SURPLUS FROM OPERATIONS	-	-	-	-	-
INCOME PICKUP FROM SUBSIDIARY (Note 7)	-	-	47	47	6
TOTAL SURPLUS	<u>-</u>	<u>-</u>	<u>47</u>	<u>47</u>	<u>6</u>
Fund Balance - beginning of year					
As previously reported	-	-	120	120	(8,833)
Restatement (Note 2)	-	-	-	-	8,947
As restated	<u>-</u>	<u>-</u>	<u>120</u>	<u>120</u>	<u>114</u>
FUND BALANCE - end of year	<u>-</u>	<u>-</u>	<u>167</u>	<u>167</u>	<u>120</u>

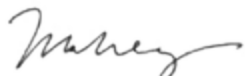
See accompanying notes to the financial statements

EFFICIENCYONE

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019 (IN THOUSANDS)

	Demand-Side Management Fund	Provincial Fund	Other Business Fund	2019	Restated (Note 2) 2018
ASSETS					
CURRENT					
Cash	\$ 11,103	\$ 20,850	\$ 184	\$ 32,137	\$ 50,687
Accounts receivable (Note 6)	1,007	1,894	285	3,186	4,714
HST receivable	114	186	9	309	248
Prepays	40	64	-	104	105
Loan receivable (Note 10)	4,669	-	-	4,669	4,561
	16,933	22,994	478	40,405	60,315
INVESTMENT IN EFFICIENCYONE SERVICES INC. (Note 7)	-	-	162	162	115
LOAN RECEIVABLE (Note 10)	14,683	-	-	14,683	19,352
	\$ 31,616	\$ 22,994	\$ 640	\$ 55,250	\$ 79,782
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	4,282	1,733	269	6,284	10,332
Deferred revenue (Note 9)	7,261	6,949	177	14,387	7,819
HST payable	447	258	27	732	457
Loan payable (Note 10)	4,669	-	-	4,669	4,561
Due to ENS Transition Corp (Note 11)	-	-	-	-	15,113
	16,659	8,940	473	26,072	38,282
DEFERRED REVENUE (Note 9)	274	14,054	-	14,328	22,028
LOAN PAYABLE (Note 10)	14,683	-	-	14,683	19,352
	14,957	14,054	-	29,011	41,380
FUND BALANCE					
EXTERNALLY RESTRICTED	-	-	167	167	120
	\$ 31,616	\$ 22,994	\$ 640	\$ 55,250	\$ 79,782
CONTIGENCIES (Note 12) AND COMMITMENTS (Note 13)					

Approved by the Board



William (Bill) Lahey
Chair, Board of Directors



Sean O'Connor
Chair, Finance Committee

See accompanying notes to the financial statements

EFFICIENCYONE

STATEMENT OF CASH FLOWS

AS AT DECEMBER 31, 2019 (IN THOUSANDS)

	Demand-Side Management Fund	Provincial Fund	Other Business Fund	2019	Restated (Note 2) 2018
CASH PROVIDED BY (USED FOR):					
OPERATING					
Total Surplus	\$ -	\$ -	\$ 47	\$ 47	\$ 6
Changes in non-cash working capital items					
Accounts receivable	(307)	2,105	(270)	1,528	(3,931)
HST receivable	25	(77)	(9)	(61)	211
Prepays	5	(4)	-	1	(15)
Accounts payable and accrued liabilities	(3,736)	(567)	255	(4,048)	2,396
Deferred revenue	73	(1,382)	177	(1,132)	11,013
HST payable	(5)	253	27	275	89
	(3,945)	328	227	(3,390)	9,769
FINANCING					
Due to ENS Transition Corporation	(15,113)	-	-	(15,113)	15,113
Loan repayments	(4,561)	-	-	(4,561)	(4,455)
	(19,674)	-	-	(19,674)	10,658
INVESTING					
Income pickup from subsidiary	-	-	(47)	(47)	(6)
Loan repayments	4,561	-	-	4,561	4,455
	4,561	-	(47)	4,514	4,449
CHANGE IN CASH	(19,058)	328	180	(18,550)	24,876
CASH - beginning of year	30,161	20,522	4	50,687	25,811
CASH - end of year	\$ 11,103	\$ 20,850	\$ 184	\$ 32,137	\$ 50,687

See accompanying notes to the financial statements

EFFICIENCYONE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (IN THOUSANDS)

1. NATURE OF OPERATIONS

EfficiencyOne (“the Corporation”) was incorporated in July 2014 under the Canada Not-for-profit Corporations Act.

Under Section 79C of the Public Utilities Act, the Corporation, as the franchise holder, has the exclusive right to supply Nova Scotia Power Inc. (“NS Power”) with reasonably available, cost-effective electricity efficiency and conservation activities. The franchise agreement expires on December 31, 2025.

The Corporation is a not-for-profit organization under the meaning assigned in Section 149.1(1) of the Income Tax Act and as such is exempt from income taxes. Accordingly, no provision has been made in the accounts for income taxes.

2. PRIOR PERIOD ADJUSTMENT

Future incentive payments to customers have been presented as commitments through note disclosure rather than through a separate Commitment fund as in prior years.

The Corporation uses the deferral method of revenue recognition that recognizes restricted revenue in the year in which the related expenses are incurred and incentive costs, such as customer rebates, are recognized when energy savings are recognized. Future incentive payments have no associated energy savings to be recognized at the time of the commitment and therefore recognition of incentive costs and the corresponding revenue is not appropriate. Note disclosure appropriately reflects future incentive payments as commitments and more closely aligns the presentation with the Corporation’s revenue and expense recognition policies.

The Corporation has restated its statement of financial position as at December 31, 2018, and the statement of operations and changes in fund balances, and cash flows for the year ending December 31, 2018.

The prior period adjustment has had the following impact on the Corporation’s 2018 financial statements previously issued:

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

	As Previously Stated			Restated
	Total All Other Funds	Commitment Fund	Adjustment	2018
DIRECT COSTS				
Incentives	\$ 33,567	\$ 4,080	\$ (4,080)	\$ 33,567
TOTAL COSTS	50,079	4,080	(4,080)	50,079
NET DEFICIT FROM OPERATIONS	-	(4,080)	4,080	-
TOTAL SURPLUS (DEFICIT)	6	(4,080)	4,080	6
Fund Balance - beginning of year	114	(8,947)	8,947	114
FUND BALANCE - end of year	\$ 120	\$ (13,027)	\$ 13,027	\$ 120

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (IN THOUSANDS)

STATEMENT OF FINANCIAL POSITION

	As Previously Stated			Restated	
	Total All Other Funds	Commitment Fund	Adjustment	2018	
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	\$ 10,332	\$ 13,027	\$ (13,027)	\$ 10,332	
FUND BALANCE					
EXTERNALLY RESTRICTED					
	\$ 120	\$ (13,027)	\$ 13,027	\$ 120	

STATEMENT OF CASH FLOWS

	As Previously Stated			Restated	
	Total All Other Funds	Commitment Fund	Adjustment	2018	
OPERATING					
Surplus (deficit)	\$ 6	\$ (4,080)	\$ 4,080	\$ 6	
Accounts payable and accrued liabilities	\$ 2,396	\$ 4,080	\$ (4,080)	\$ 2,396	

The Corporation has included an estimate of the commitment related to future incentives payable in Note 13.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations.

Fund accounting

a) The Demand-Side Management (“DSM”) Fund is used to account for the operations of the Corporation including reporting the fee-for-service

revenues as received from NS Power with expenses approved annually by the Nova Scotia Utility and Review Board (“UARB”). Cash received under the DSM Fund is only used for operations of the fund.

b) The Provincial (“PNS”) Fund is used to account for the operations of the Corporation, including reporting the fee-for-service revenues as received and expenses incurred under contract with the Province of Nova Scotia. Cash received under the PNS Fund is only used for operations of the fund.

c) The Other Business Fund is used to account for the operations of any subsidiary company of the Corporation and other non-DSM and non-PNS activities.

Revenue recognition

The Corporation follows the deferral method of accounting for revenue. Restricted revenue is recognized as revenue in the year in which the related expenses are incurred.

Interest revenue on interest bearing deposits is recognized as revenue in the DSM Fund or PNS Fund in the year in which the revenue is earned.

Expense recognition

The Corporation recognizes incentive costs, such as customer rebates, when energy savings are recognized. Energy savings are recognized at milestones within a contract or when the contract is complete. For other business activities, expenses are recorded as incurred.

Cash

The Corporation discloses bank balances and interest bearing deposits with a maturity period of three months or less from the date of acquisition under cash. The Corporation manages its cash according to its cash needs, in accordance with the Corporation’s investment policy.

Cost allocation methodology

The Corporation follows a Cost Allocation Methodology (“CAM”) to allocate expenses not directly related to a fund, as disclosed in Note 15.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (IN THOUSANDS)

Use of estimates

The preparation of financial statements in accordance with Canadian Accounting Standards for Not-For-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for items and matters such as allowance for doubtful accounts and certain accrued liabilities. Actual results could differ from those estimates.

Subsidiary operations

The Corporation accounts for investments in subsidiary operations using the equity method.

4. FINANCIAL INSTRUMENTS

The Corporation initially measures its financial assets and financial liabilities at fair value and subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash, accounts receivable and loan receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and loan payable.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in net surplus. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of a reversal is recognized in net surplus.

5. REVENUE

Efficiency Nova Scotia Revenue

Effective January 1, 2019, the Corporation entered into a one-year supply agreement with NS Power to provide DSM energy efficiency and conservation activities, under which fees are received monthly. In 2019, the Corporation received \$34,050 in fee-for-service revenue (2018 - \$34,920). Payments received from NS Power were reduced by interest revenue earned in 2017 of \$201.

In 2019, the Corporation signed a three-year supply agreement with NS Power to provide DSM energy efficiency and conservation activities. The agreement is effective January 1, 2020 and will provide funding of \$110,000 until December 31, 2022.

Effective June 6, 2018, the Corporation finalized a multi-year fee-for-service agreement with the Province of Nova Scotia to expand Residential customer services for non-electrically heated homes. Fees are received quarterly under the agreement, which ends December 31, 2022. The Corporation received \$10,036 in 2019.

Effective March 21, 2019, the Corporation finalized multi-year fee-for-service agreements with the Province of Nova Scotia to provide services to assist Low Income Nova Scotians. Fees are received both quarterly and annually under the agreements, which end March 31, 2023. In 2019, the Corporation received \$13,264 in fee-for-service revenue (2018 – \$12,552).

In 2019, the Corporation also entered into service agreements to operate new pilot programs until May 31, 2022. In 2019, the Corporation received a lump sum payment of \$1,425.

Effective March 21, 2019, the Corporation entered into a one-year agreement with the Province of Nova Scotia to provide services to Mi'kmaw communities. The Corporation received a lump sum payment of \$1,000 in

EFFICIENCYONE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (IN THOUSANDS)

2019. Effective August 6, 2019, the Corporation also entered into a multi-year fee-for-service agreement with the Province of Nova Scotia to continue to provide the same services to Mi'kmaw communities. In 2019, the Corporation received a lump sum payment of \$1,500. Under the agreement, which ends March 31, 2023, the remaining fees will be received quarterly.

Other Revenue

The Corporation entered into contribution agreements in 2019 with Natural Resources Canada for funding of multiple projects. The agreements, which end on March 31, 2020 and March 31, 2021, set out a maximum contribution amount of \$530. Revenue of \$379 was earned in 2019 (2018 - \$75).

The Corporation received \$214 from the Federation of Canadian Municipalities to cover expenses incurred in support of the Community Climate Action program. The agreement, effective August 26, 2019, ends March 30, 2020.

	Demand-Side Management Fund	Provincial Fund	Other Business Fund	2019	2018
Fee-for-service revenue	\$ 34,050	\$ 27,225	\$ -	\$ 61,275	\$ 57,508
Other revenue	-	-	593	593	75
Recognition/ (Deferral) of current year revenue	(274)	1,382	(177)	931	(8,161)
	<u>\$ 33,776</u>	<u>\$ 28,607</u>	<u>\$ 416</u>	<u>\$ 62,799</u>	<u>\$ 49,422</u>

6. ACCOUNTS RECEIVABLE

	Demand-Side Management Fund	Provincial Fund	Other Business Fund	2019	2018
Trade	\$ 196	\$ 1,838	\$ 117	\$ 2,151	\$ 4,071
Other	811	56	168	1,035	643
	<u>1,007</u>	<u>1,894</u>	<u>285</u>	<u>3,186</u>	<u>4,714</u>
Allowance for doubtful accounts	-	-	-	-	-
	<u>\$ 1,007</u>	<u>\$ 1,894</u>	<u>\$ 285</u>	<u>\$ 3,186</u>	<u>\$ 4,714</u>

7. INVESTMENT IN EFFICIENCYONE SERVICES INC.

The investment represents a 100% interest in the common shares of EfficiencyOne Services Inc. as follows:

	2019	2018
Common shares, at cost	\$ -	\$ -
Equity in cumulative earnings since acquisition	162	115
	<u>\$ 162</u>	<u>\$ 115</u>

Summarized financial information of EfficiencyOne Services Inc. as at December 31, 2019 is as follows:

FINANCIAL POSITION

	2019	2018
Assets	\$ 499	\$ 326
Liabilities	337	211
Equity	162	115
Total Liability and Equity	<u>\$ 499</u>	<u>\$ 326</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (IN THOUSANDS)

RESULTS OF OPERATIONS

	2019	2018
Revenues	\$ 2,184	\$ 1,597
Expenses (including a provision for income tax)	2,137	1,591
Net Earnings	\$ 47	\$ 6

CASH FLOW

	2019	2018
Operating	\$ 103	\$ (76)
Change in Cash	103	(76)
Cash - beginning of year	89	165
Cash - end of year	\$ 192	\$ 89

The Corporation renders technical, administrative and marketing services of a routine nature to EfficiencyOne Services Inc. and the value of these services is measured on a fully allocated cost basis, which is the amount of consideration established and agreed to by the related parties. The cost of these services amounted to \$659 in 2019 (2018 - \$581).

	2019	2018
Shared Services	\$ 248	\$ 381
Seconded Services	411	200
	\$ 659	\$ 581

Included in accounts receivable at December 31 was \$96 (2018 - \$107) due from EfficiencyOne Services Inc., and included in accounts payable was \$94 (2018 - \$79) payable to EfficiencyOne Services Inc.

On August 29, 2017 the UARB approved the Corporation's Code of Conduct ("the Code"). The Code governs transactions between the Corporation's electricity efficiency and conservation activities and its Affiliates. As of

December 31, 2019, EfficiencyOne Services Inc. is the Corporation's only Affiliate.

8. BANK INDEBTEDNESS

The Corporation has an operating demand loan of credit available in the amount of \$7,500 bearing interest at the bank prime rate, payable monthly. At year end, the Corporation has no draws against the line of credit.

9. DEFERRED REVENUE

	Demand-Side Management Fund	Provincial Fund	Other Business Fund	2019	2018
Opening	\$ 7,462	\$ 22,385	\$ -	\$ 29,847	\$ 18,834
Recognition of 2017 deferred revenue	(201)	-	-	(201)	(190)
Deferral of current year revenue	274	(1,382)	177	(931)	11,203
	7,535	21,003	177	28,715	29,847
Less current portion	7,261	6,949	177	14,387	7,819
	\$ 274	\$ 14,054	\$ -	\$ 14,328	\$ 22,028

10. LOAN RECEIVABLE/PAYABLE

The UARB requested that the Corporation assess the viability of external financing of NS Power's DSM deferral balance of \$35,000 from 2015 ("2015 DSM Deferral"). The Corporation determined that such external financing could result in savings for NS Power's customers. In April 2016, the UARB directed the Corporation to proceed with funding of the unamortized portion of the 2015 DSM Deferral in accordance with the arrangements previously explored and described by the Corporation in a filing to the UARB dated February 16, 2016. On December 1, 2016 the Corporation borrowed the sum

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (IN THOUSANDS)

of \$30,625 from the Toronto Dominion Bank (“TD”) with a fixed interest rate of 2.355% repayable in 84 equal monthly payments.

On December 1, 2016 the Corporation advanced the sum of \$30,625 to NS Power and entered into an Undertaking to Pay with NS Power, whereby NS Power is obligated to make 84 equal monthly payments that correspond in amount and timing of those the Corporation is obligated to make to TD.

In accordance with direction from the UARB, the Corporation finalized another loan arrangement on February 1, 2017 with TD in the amount of \$2,048 representing the accrued return earned by NS Power on the 2015 DSM Deferral. On February 1, 2017 the Corporation borrowed the sum of \$2,048 from TD which is repayable in 82 equal monthly payments. On the same date, the Corporation advanced the sum of \$2,048 to NS Power and entered into an Undertaking to Pay with NS Power, whereby NS Power is obligated to make 82 equal monthly payments that correspond exactly to the amount and timing of those the Corporation is obligated to make to TD.

The payment obligations for the term of the loans are outlined in the following table:

	Principal	Interest	Total
2020	\$ 4,669	\$ 407	\$ 5,076
2021	4,781	296	5,077
2022	4,895	181	5,076
2023	5,007	72	5,079
Remaining Balance	\$ 19,352	\$ 956	\$ 20,308

11. DUE TO ENS TRANSITION CORPORATION

On August 14, 2018, ENS Transition Corporation (“ENSTC”) reached a settlement agreement with the Minister of National Revenue on the Notice of Appeal filed in the Tax Court of Canada regarding the DSM HST Receivable of \$14,123. The Corporation received \$1,677 on September 11, 2018 and

\$13,341 on September 18, 2018, representing full payment of the receivable plus \$895 in interest. Additional interest of \$95 in 2018 and \$247 in 2019 has been earned.

The Electricity Efficiency and Conservation Restructuring (2014) Act, Section 8, states “Any assets of the Corporation [ENSTC] acquired on or after the Implementation Date must be transferred to Nova Scotia Power Incorporated for the benefit of the customers of Nova Scotia Power Incorporated as directed by the [Nova Scotia Utility and Review] Board.” This refers to the DSM HST Receivable.

On behalf of ENSTC, EfficiencyOne paid to NS Power, \$15,340 on August 22, 2019 and \$20 on September 27, 2019, which represented the full settlement amount plus interest earned.

12. CONTINGENCIES

The Corporation has an agreement with NS Power to extend financing to certain Business, Non-Profit and Institutional (“BNI”) customers participating in either the Small Business Energy Solutions, Affordable Multi-Family Housing, BNI Custom, or Business Energy Rebates programs. Those customers are approved by NS Power for repayment terms up to 48 months. Financing costs related to the principal are paid to NS Power by the Corporation on a monthly basis and are considered part of the applicable program cost. The Corporation is contingently liable to cover defaults on principal amounts outstanding. At December 31, 2019 the balance of total financing extended was \$3,164 (2018 - \$2,635).

13. COMMITMENTS

a) In the course of business, the Corporation approves customer applications that offer future incentive payments based on the completion of program criteria within a specific time frame.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (IN THOUSANDS)

The value of these commitments is estimated at \$17,229 (2018 - \$13,027) with the DSM Fund share of \$4,727 (2018 - \$4,531) and the PNS Fund share of \$12,502 (2018 – \$8,496).

The estimate is calculated on a program by program basis as at December 31, 2019. For Residential programs, commitments made to Nova Scotians enrolled in the New Home Construction, Home Energy Assessment, SolarHomes, Mi'kmaw Home Energy Efficiency and Low Income Homeowner Service programs are included. New Home Construction and Home Energy Assessment estimates are based on the number of eligible homes anticipated to complete the program at the historical average rebate rate in addition to the average final audit costs that would be paid to Delivery Agents for the service. SolarHomes estimates are based on preapproved customers and rebate amounts. Mi'kmaw Home Energy Efficiency estimates are based on the total number of committed homes. Low Income Homeowner Service estimates are based on the number of qualified customers whose application had been assigned to a Delivery Agent for implementation.

In BNI programs, incentive commitments include customers participating in the Business Energy Rebate and Affordable Multi-Family Housing program. Business Energy Rebate estimates are calculated using the total value of preapproved mail-in rebate applications received. Affordable Multi-Family Housing estimates are based on preapproved customers and rebate amounts.

The Corporation has multi-year fee-for-service agreements in place with NS Power and the Province of Nova Scotia which will enable the Corporation to meet these future commitments.

b) The Corporation has entered into a lease agreement, expiring December 31, 2025, for the rental of its office premises. Minimum annual lease payments over the term of the agreement are as follows:

Year	Annual Lease Payments
2020	\$367
2021	377
2022	349
2023	377
2024	349
2025	\$349

c) The Corporation has entered into a multi-year contract for the delivery of a Green Schools Nova Scotia program. The cost will be \$434 in 2020 and \$216 in 2021.

14. RISK MANAGEMENT

The Corporation is exposed to risks associated with its financial instruments as follows:

	Risks			
	Credit	Liquidity	Currency	Market risk Interest Rate
Cash	X			X
Accounts receivable	X			
Accounts payable and accrued liabilities		X	X	

a) Credit risk

Credit risk arises from the possibility of one of the parties to a transaction defaulting on its financial obligations.

i) Cash

Credit risk associated with cash is minimized by investing these assets in short-term interest-bearing deposits of a Canadian bank with credit ratings that comply with the Corporation's banking and investment policy.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (IN THOUSANDS)

ii) Accounts receivable and loan receivable

Credit risk associated with accounts receivable is mitigated by the fact that the majority of receivables outstanding are from NS Power, which is a regulated public utility, mandated by its regulator to fund DSM activities.

b) Liquidity risk

Liquidity risk is the risk of being unable to meet cash requirements or fund obligations as they come due. It stems from the possibility of a delay in realizing the fair value of investments. The Corporation manages its liquidity risk by monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

Accounts payable and accrued liabilities include obligations to customers who have earned incentives and are normally paid within 90 days. For some customer incentives accrued, there may be exceptions to the timing of the payments. The timing of these payments is determined by the terms of the customer's contract. HST payable is remitted on a monthly basis. The loan payable payments are remitted monthly, as aligned within the loan payment schedule and the loan receivable amounts from NS Power.

c) Market risk

The Corporation is exposed to market risks arising from changes in the fair value of financial instruments due to market price fluctuations. Market risks consist of currency risk, interest rate risk and other price risk. The Corporation is not exposed to other price risk.

i) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument or the related future cash flows will fluctuate due to changes in the market interest rates. The Corporation is exposed to interest rate risk with regard to its cash. The Corporation has an interest bearing liability with a fixed interest rate.

The Corporation's cash include amounts on deposit with a Canadian bank that earn interest at the market rate. Fluctuations in market rates of interest on cash do not have a significant impact on the Corporation's results of operations. Short-term interest bearing deposits are not exposed to significant interest rate risk due to their short-term nature.

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15. COST ALLOCATION METHODOLOGY

	Allocator	Expenses subject to Allocation	Demand-Side Management Fund Allocation	Provincial Fund Allocation	Other Business Fund Allocation
Incentives	Direct	\$ 29	\$ 8	\$ 21	\$ -
Information technology	FTE	495	321	173	1
Information technology	Direct	1,027	530	497	-
Marketing, outreach, education and research	Direct	2,193	1,229	964	-
Meetings and travel	Direct	136	69	67	-
Office and insurance	FTE	120	78	42	-
Office and insurance	Direct	222	114	108	-
Professional fees and consulting	Direct	199	105	94	-
Program support	Direct	37	18	19	-
Rent	FTE	615	399	215	1
Salaries and benefits	FTE	9,518	6,133	3,363	22
Training and development	FTE	278	151	127	-
		\$ 14,869	\$ 9,155	\$ 5,690	\$ 24

The Corporation engages in DSM programs (reported in the DSM Fund), other energy efficiency and conservation programs (reported in the PNS Fund) and other business (reported in the Other Business Fund).

The costs in each fund include direct costs of the programs which are comprised of, but not limited to, customer payments, program support costs, and other program and administrative costs directly attributable to a program. The Corporation also incurs costs which are not directly related to one program that require allocation between the funds and subsequently to programs. These non-direct costs include, but are not limited to, joint direct program costs, common program costs, salaries and benefits, administrative and operational overhead and general program administration.

The Corporation allocates the non-direct costs noted above based on Full-Time Equivalents (“FTE”) of staff resources assigned to the programs and Direct Costs (“Direct”) of the programs as defined in the ENSC Cost Allocation Methodology Report. The CAM is subject to regular review by the UARB.