



**EFFICIENCYONE**  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2022

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<b>Independent Auditors’ Report</b>	1-2
<b>Consolidated Statement of Operations</b>	3
<b>Consolidated Statement of Changes in Fund Balances</b>	4
<b>Consolidated Statement of Financial Position</b>	5
<b>Consolidated Statement of Cash Flows</b>	6
<b>Notes to the Consolidated Financial Statements</b>	7-16

# Independent auditor's report

To the Board of Directors of EfficiencyOne

## Opinion

We have audited the consolidated financial statements of EfficiencyOne ("the Corporation"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of EfficiencyOne as at December 31, 2022, and its results of operations 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 *Auditor's 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 consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 consolidated 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 consolidated 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 auditor's 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 consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation and the corporations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, 2022, 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, 2022, the Corporation has complied with, in all material respects, with the cost allocation criteria established by the Efficiency Nova Scotia Cost Allocation Methodology Report.

*Grant Thornton LLP*

Halifax, Canada  
March 31, 2023

Chartered Professional Accountants

## EFFICIENCYONE

### CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2022 (IN THOUSANDS)

	Demand-Side Management Fund	Provincial Fund	Other Business Fund	2022	2021
<b>REVENUES</b>					
Efficiency Nova Scotia (Note 3)	\$ 42,431	\$ 36,341	\$ -	\$ 78,772	\$ 68,028
Other (Note 3)	-	-	5,788	5,788	4,419
Investment income (Note 4)	-	-	281	281	126
Interest	280	2,586	53	2,919	358
	<u>42,711</u>	<u>38,927</u>	<u>6,122</u>	<u>87,760</u>	<u>72,931</u>
<b>DIRECT COSTS</b>					
Incentives	27,791	31,054	4,346	63,191	51,049
Evaluation and verification	1,096	322	-	1,418	1,299
Program support	845	154	426	1,425	1,075
	<u>29,732</u>	<u>31,530</u>	<u>4,772</u>	<u>66,034</u>	<u>53,423</u>
<b>OTHER PROGRAM AND ADMINISTRATIVE COSTS</b>					
Bad debts (Note 9)	52	-	-	52	2
Information technology	600	509	36	1,145	1,279
Marketing, outreach, education, and research	2,076	1,293	202	3,571	2,989
Meetings and travel	166	188	22	376	115
Office and insurance	234	185	17	436	408
Professional fees and consulting	534	215	64	813	735
Rent	444	233	48	725	749
Salaries and benefits	8,698	4,637	953	14,288	12,931
Training and development	175	137	8	320	300
	<u>12,979</u>	<u>7,397</u>	<u>1,350</u>	<u>21,726</u>	<u>19,508</u>
<b>TOTAL COSTS</b>	<u>42,711</u>	<u>38,927</u>	<u>6,122</u>	<u>87,760</u>	<u>72,931</u>
<b>NET SURPLUS FROM OPERATIONS</b>	-	-	-	-	-
<b>INCOME (LOSS) PICKUP FROM SUBSIDIARY (Note 6)</b>	-	-	(2)	(2)	(5)
<b>TOTAL SURPLUS (DEFICIT)</b>	\$ -	\$ -	\$ (2)	\$ (2)	\$ (5)

See accompanying notes to the consolidated financial statements

## EFFICIENCYONE

### CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2022 (IN THOUSANDS)

	Unrestricted	Endowment	2022	2021
<b>Fund balance, beginning of the year</b>	\$ 149	\$ 15,031	\$ 15,180	\$ 154
Net surplus (deficit)	(2)	-	(2)	(5)
Endowment contributions	-	-	-	15,000
Unrealized fair market value adjustments (Note 4)	-	(1,286)	(1,286)	31
<b>Fund balance, end of the year</b>	\$ 147	\$ 13,745	\$ 13,892	\$ 15,180

See accompanying notes to the consolidated financial statements

# EFFICIENCYONE

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2022 (IN THOUSANDS)

	Demand-Side Management Fund	Provincial Fund	Other Business Fund	2022	2021
<b>ASSETS</b>					
<b>CURRENT</b>					
Cash	\$ 9,441	\$ 39,920	\$ 1,855	\$ 51,216	\$ 45,346
Accounts receivable	561	6,092	1,236	7,889	26,442
HST receivable	277	302	6	585	416
Prepays	475	912	50	1,437	1,257
Short-term investments (Note 4)	-	60,000	-	60,000	5,550
Loan receivable (Note 5)	5,007	-	-	5,007	4,895
	15,761	107,226	3,147	126,134	83,906
<b>INVESTMENTS (Note 4)</b>	-	-	13,835	13,835	9,523
<b>INVESTMENT IN EFFICIENCYONE SERVICES INC. (Note 6)</b>	-	-	142	142	144
<b>LOAN RECEIVABLE (Note 5)</b>	-	-	-	-	5,007
	\$ 15,761	\$ 107,226	\$ 17,124	\$ 140,111	\$ 98,580
<b>LIABILITIES</b>					
<b>CURRENT</b>					
Accounts payable and accrued liabilities	6,584	4,394	1,251	12,229	7,232
Deferred revenue (Note 8)	273	39,582	908	40,763	23,693
HST payable	528	473	8	1,009	2,850
Loan payable (Note 5)	5,007	-	-	5,007	4,895
	12,392	44,449	2,167	59,008	38,670
<b>DEFERRED REVENUE (Note 8)</b>	3,369	62,777	1,065	67,211	39,723
<b>LOAN PAYABLE (Note 5)</b>	-	-	-	-	5,007
	3,369	62,777	1,065	67,211	44,730
<b>FUND BALANCES</b>					
Unrestricted	-	-	147	147	149
Endowment	-	-	13,745	13,745	15,031
	-	-	13,892	13,892	15,180
	\$ 15,761	\$ 107,226	\$ 17,124	\$ 140,111	\$ 98,580

### CONTINGENCIES (Note 9) AND COMMITMENTS (Note 10)

Approved by the Board



William (Bill) Lahey  
Chair, Board of Directors



Sean O'Connor  
Chair, Finance Committee

See accompanying notes to the consolidated financial statements

# EFFICIENCYONE

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022 (IN THOUSANDS)

	Demand-Side Management Fund	Provincial Fund	Other Business Fund	2022	2021
<b>CASH PROVIDED BY (USED FOR):</b>					
<b>OPERATING</b>					
Total surplus (deficit)	\$ -	\$ -	\$ (2)	\$ (2)	\$ (5)
Changes in non-cash working capital items					
Accounts receivable	(221)	19,956	(1,182)	18,553	(20,058)
HST receivable	(40)	(123)	(6)	(169)	(173)
Prepays	(44)	(86)	(50)	(180)	(560)
Accounts payable and accrued liabilities	1,850	2,053	1,094	4,997	163
Deferred revenue	(1,431)	46,166	(177)	44,558	41,287
HST payable	84	(1,933)	8	(1,841)	2,657
	198	66,033	(315)	65,916	23,311
<b>FINANCING</b>					
Endowment contributions	-	-	-	-	15,000
Loan repayments	(4,895)	-	-	(4,895)	(4,781)
	(4,895)	-	-	(4,895)	10,219
<b>INVESTING</b>					
Purchase of investments	-	(60,000)	(5,820)	(65,820)	(15,000)
Proceeds on sale of investments	-	-	5,820	5,820	-
Reinvested distributions	-	-	(48)	(48)	(42)
Income pickup from subsidiary	-	-	2	2	5
Loan repayments	4,895	-	-	4,895	4,781
	4,895	(60,000)	(46)	(55,151)	(10,256)
<b>CHANGE IN CASH</b>	198	6,033	(361)	5,870	23,274
<b>CASH - beginning of year</b>	9,243	33,887	2,216	45,346	22,072
<b>CASH - end of year</b>	\$ 9,441	\$ 39,920	\$ 1,855	\$ 51,216	\$ 45,346

See accompanying notes to the consolidated financial statements



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022 (IN THOUSANDS)**

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**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 demand-side management.

The Corporation is a not-for-profit organization under the meaning assigned in the Income Tax Act and as such is exempt from income taxes under Section 149(1)(l). The Corporation holds endowment funds, through its subsidiary Halifax Climate Investment, Innovation and Impact Fund (“HCi3”), in trust on behalf of the Federation of Canadian Municipalities (“FCM”) as trustee of the Green Municipal Fund and are to be maintained in perpetuity. Investment income earned on endowment funds is attributable to the contributor for tax purposes. Accordingly, no provision has been made in the accounts for income taxes.

**2. SIGNIFICANT ACCOUNTING POLICIES****Basis of accounting and consolidation**

These consolidated financial statements include the assets, liabilities, revenue and expenses of the Corporation and its subsidiary HCi3.

The Corporation accounts for investment in EfficiencyOne Services Inc. using the equity method.

These consolidated 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 the fee-for-service revenues received and expenses incurred for the delivery of DSM programs and services. The Supply Agreement for Electricity Efficiency and Conservation Activities (“EECA”) with Nova Scotia Power is approved by the Nova Scotia Utility and Review Board (“NSUARB”). Cash received under the DSM Fund is only used

for operations of the fund. Interest income earned on cash received is retained within the fund and restricted for operations of the fund.

b) The Provincial (“PNS”) Fund is used to account for the operations of the Corporation including the fee-for-service revenues received and expenses incurred for the delivery of PNS programs and services according to the terms of the contracts with the Province of Nova Scotia. Cash received under the PNS Fund is only used for operations of the fund. Interest income earned on cash received is retained within the fund and restricted for operations of the fund.

c) The Other Business Fund is used to account for subsidiary operations and other non-DSM and non-PNS activities. Interest and investment income earned on cash received is retained within the fund and restricted for operations of the fund.

**Revenue recognition**

The Corporation follows the deferral method of accounting for revenue. Restricted fee-for-service or contribution revenue is recognized as revenue within the appropriate fund in the year in which the related expenses are incurred. Endowment contributions are presented as direct increases to net assets.

Restricted interest income on interest bearing deposits is recognized as revenue in the DSM, PNS, or Other Business Fund in the year in which the revenue is earned.

Investment income earned on the HCi3 endowment and available for expenditure is allocated to the Other Business Fund, as determined by externally imposed restrictions. All other investment income earned on the HCi3 endowment is recorded as direct increases or decreases to net assets.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)****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. An accrued liability for incentive costs is established when energy savings have been recognized and payment is yet to be made.

All other expenses are recorded when 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.

**Financial instruments**

The Corporation initially measures its financial assets and financial liabilities at fair value. Investments are subsequently measured at fair value and all remaining 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 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 its 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.

**Related party transactions**

Financial assets and financial liabilities obtained in related party transactions are initially measured at cost. Gains or losses arising on initial measurement differences are generally recognized in net surplus when the transactions are in the normal course of operations, and in equity when the transaction is not in the normal course of operations, subject to certain exceptions.

Financial assets and financial liabilities recognized in related party transactions are subsequently measured based on how the Corporation initially measured the instrument. Financial instruments initially measured at cost are subsequently measured at cost, less any impairment for financial assets.

**Investments**

Investments consist of a mix of guaranteed investment certificates and pooled fund investments. All investments are stated at fair value on a trade date basis. Any change in fair value is reflected as direct increases or decreases to net assets. Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the Corporation's proportionate share of underlying net assets at fair values determined using closing market prices.

Fixed income investments maturing within one year from the Consolidated Statement of Financial Position date are reflected as short-term investments.

**Cost allocation methodology**

The Corporation follows a Cost Allocation Methodology ("CAM") to allocate expenses not directly related to a fund, as disclosed in Note 13. There was no change to the CAM from prior years.

## EFFICIENCYONE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (IN THOUSANDS)

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Use of estimates

The preparation of the consolidated 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 consolidated 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, commitments, fair market value of investments, and certain accrued liabilities. Actual results could differ from those estimates.

#### 3. REVENUE AND CONTRACTUAL RIGHTS

##### Efficiency Nova Scotia Revenue

Effective January 1, 2020, the Corporation entered into a three-year supply agreement with NS Power to provide demand-side management. The agreement provided funding of \$110,000 over three years in monthly installments until December 31, 2022. In 2022, fee-for-service revenue was \$41,000 (2021 - \$34,600).

In 2022, 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, 2023 and will provide funding of \$173,000 in monthly installments until December 31, 2025.

The Corporation has entered into multi-year fee-for-service agreements with the Province of Nova Scotia. The contract term, payment frequency and annual amounts are summarized below:

			2022	2021
<b>Non-Electric Residential</b>				
June 6, 2018 - December 31, 2024	Quarterly	\$	6,578	\$ 16,829
<b>Low Income Homeowner</b>				
March 21, 2019 - March 31, 2023	Quarterly	\$	8,264	\$ 8,264
<b>Low Income Multi-Family Housing</b>				
March 21, 2019 - March 31, 2023	Annually	\$	2,000	\$ 2,000
<b>Mi'kmaw Home Energy Efficiency</b>				
March 21, 2019 - March 31, 2023	Quarterly	\$	3,125	\$ 3,125
<b>Green Fund</b>				
March 29, 2021 - March 31, 2026	Lump Sum	\$	-	\$ 41,221
<b>Residential Low Income, Equity and Off Oil Programs</b>				
March 31, 2022 - March 31, 2027	Lump Sum	\$	50,000	\$ -
<b>Small Business Energy Solutions</b>				
March 31, 2021 - March 31, 2027	Lump Sum	\$	7,000	\$ -
<b>Other Provincial Pilot Programs</b>				
March 21, 2020 - March 31, 2026	Lump Sum	\$	5,540	\$ 1,221
		\$	82,507	\$ 72,660

##### Other Revenue

The Corporation received \$3,906 (2021 – \$3,829), in quarterly installments from NS Power for administration of NS Power's contribution to the HomeWarming Program. The contract expired December 31, 2022.

Effective April 1, 2022, the Corporation entered into a five-year contribution agreement with Natural Resources Canada to execute the Greener Homes initiative. The agreement provides funding of \$124,000 over five years until March 31, 2027. Of this contribution, \$1,161 was recognized as revenue in the current year.

## EFFICIENCYONE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (IN THOUSANDS)

#### 3. REVENUE AND CONTRACTUAL RIGHTS (continued)

The Corporation entered into a services agreement with the Town of Bridgewater to administer housing energy management services. Effective June 27, 2022, the agreement provides funding of \$442 over two years. Funds of \$167 were received in 2022 with \$63 recognized in the current year.

Effective December 10, 2020, HCl3 entered into a funding agreement with FCM to administer the Low Carbon Cities Canada efforts in Halifax, Nova Scotia. HCl3 received \$2,432 in operating contributions, and \$15,000 in endowment contributions from FCM on the closing date of March 30, 2021. Of this contribution, \$558 (2021 - \$383) was recognized as revenue in the current year. In 2022, HCl3 received \$100 from the Province of Nova Scotia to provide grants to eligible recipients which was recognized as revenue in the current year.

Effective December 15, 2022, HCl3 entered into a funding agreement with the J.W. McConnell Family Foundation ("McConnell Foundation") to support climate mitigation projects. The contribution of \$207 received was deferred in 2022.

	Demand-Side Management Fund	Provincial Fund	Other Business Fund	2022	2021
Fee-for-service revenue	\$ 41,000	\$ 82,507	\$ -	\$ 123,507	\$ 111,089
Other revenue	-	-	5,541	5,541	2,639
Recognition/(Deferral) of revenue	1,431	(46,166)	247	(44,488)	(41,281)
	\$ 42,431	\$ 36,341	\$ 5,788	\$ 84,560	\$ 72,447

#### 4. INVESTMENTS

The Corporation's investments in guaranteed investment certificates are made in accordance with the Corporation's investment policy. The objective of the policy is to ensure excess cash is invested in a manner that safely preserves the principal while optimizing returns.

Investments in pooled funds are held by an investment manager and are measured at market value. All market-based investments are made in accordance with HCl3's investment policy.

	2022	2021
GIC, due May 10, 2023, 3.50% per annum	\$ 60,000	\$ -
Fiera ASFI – Active Canadian Bonds Universe Fund – Class A	2,530	2,858
Fiera ASFI – Active Short-term Bond Fund – Class A	2,525	2,850
Fiera Atlas Global Companies Fund – Class A	2,506	2,660
Fiera Diversified Lending Fund – Class A	2,221	-
ACM Commercial Mortgage Fund	1,450	-
Fiera Diversified Real Assets Fund – Class A	1,534	-
Fiera Canadian Equity Fossil Fuel Free Fund – Class A	1,038	1,155
Fiera Short-term Investment Fund – Class A	31	5,550
	73,835	15,073
Less: short-term investments	60,000	5,550
	\$ 13,835	\$ 9,523

#### Investment income:

Investment income earned from endowments consists of distributions from various pooled fund investments as listed above, as well as interest on cash deposits and unrealized gains or losses due to changes in fair market value.

The investment income earned from endowments is recognized in the Consolidated Statement of Operations as it becomes available for expenditure. The total investment income earned during the year and its allocation is summarized below:

## EFFICIENCYONE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (IN THOUSANDS)

#### 4. INVESTMENTS (continued)

	2022	2021
Investment distributions	\$ 407	\$ 42
Interest income	-	90
Realized loss on sale of investments	(4)	-
Investment management fees	(53)	-
Change in fair market value	(1,286)	31
<b>Total investment income</b>	<b>(936)</b>	<b>163</b>
Stabilization allocation (i)	(69)	(6)
Unrealized fair market value adjustments	1,286	(31)
<b>Recognized investment income</b>	<b>\$ 281</b>	<b>\$ 126</b>

- i. The Stabilization allocation is an amount held in reserve and used for the purpose of funding eligible expenses in years where annual investment proceeds are less than expected.

#### 5. LOAN RECEIVABLE/PAYABLE

The NSUARB 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 customers. In April 2016, the NSUARB 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 NSUARB dated February 16, 2016. On December 1, 2016 the Corporation borrowed the sum of \$30,625 from the Toronto Dominion Bank ("TD") with a fixed interest rate of 2.355% repayable in 84 equal monthly payments, maturing on December 1, 2023, with a general security agreement pledged as collateral.

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 NSUARB, 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 obligation for the remainder of the loan is \$5,007 total principal and \$72 total interest.

#### 6. INVESTMENT IN EFFICIENCYONE SERVICES INC.

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

	2022	2021
Common shares, at cost	\$ -	\$ -
Equity in cumulative net earnings since incorporation	142	144
	<b>\$ 142</b>	<b>\$ 144</b>

Summarized financial information of EfficiencyOne Services Inc. as at December 31, 2022 is as follows:

## EFFICIENCYONE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (IN THOUSANDS)

#### 6. INVESTMENT IN EFFICIENCYONE SERVICES INC. (continued)

##### FINANCIAL POSITION

	2022	2021
Assets	\$ 145	\$ 198
Liabilities	3	54
Equity	142	144
Total Liability and Equity	\$ 145	\$ 198

##### RESULTS OF OPERATIONS

	2022	2021
Revenue	\$ 4	\$ 55
Expenses (including a provision for (recovery of) income tax)	6	60
Net Earnings (Loss)	\$ (2)	\$ (5)

##### CASH FLOW

	2022	2021
Operating	\$ 1	\$ (21)
Change in Cash	\$ 1	\$ (21)
Cash - beginning of period	144	165
Cash - end of period	\$ 145	\$ 144

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 \$3 in 2022 (2021 - \$15).

Included in accounts receivable as of December 31 was \$1 (2021 - \$9) due from EfficiencyOne Services Inc. Included in accounts payable as of December 31 was \$nil (2021 - \$47) due to EfficiencyOne Services Inc.

On August 29, 2017 the NSUARB 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.

#### 7. 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 had no draws against the line of credit (2021 - \$nil). The demand loan is secured by a first ranking general security agreement.

#### 8. DEFERRED REVENUE

	Demand-Side Management Fund	Provincial Fund	Other Business Fund	2022	2021
Opening	\$ 5,073	\$ 56,193	\$ 2,150	\$ 63,416	\$ 22,129
Recognition of prior years' deferred revenue	(1,431)	(24,734)	(558)	(26,723)	(1,405)
Deferral of current year revenue	-	70,900	312	71,212	42,686
Deferral of investment income (Note 4)	-	-	69	69	6
	3,642	102,359	1,973	107,974	63,416
Less: current portion	273	39,582	908	40,763	23,693
	\$ 3,369	\$ 62,777	\$ 1,065	\$ 67,211	\$ 39,723

## EFFICIENCYONE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (IN THOUSANDS)

#### 9. 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 monthly and are considered part of the applicable program cost. The Corporation is contingently liable to cover defaults on principal amounts outstanding. A liability of \$52 has been established for accounts at risk. On December 31, 2022, the balance of total financing extended was \$2,030 (2021 - \$1,438).

#### 10. 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.

The value of these commitments is estimated at \$34,662 (2021 - \$31,890) with the DSM Fund share of \$14,627 (2021 - \$10,846) and the PNS Fund share of \$20,035 (2021 - \$21,044). The estimate is calculated on an individual program basis as of December 31, 2022.

Program	Basis of Estimate
New Home Construction	Number of eligible homes anticipated to complete the program at the historical average rebate rate plus final audit costs to be paid to Delivery Agents.
Home Energy Assessment	Number of eligible homes anticipated to complete the program at the historical average rebate rate plus final audit costs to be paid to Delivery Agents.

SolarHomes	Number of approved customers anticipated to complete the program at the historical average rebate rate.
Mi'kmaw Home Energy Efficiency	Total number of committed homes at the historical average cost per home plus final audit costs.
Affordable Multi-Family Housing	Approved customers and rebate amounts.
Low Income Homeowner Service	Number of qualified customers whose application had been assigned to a Delivery Agent at the historical average cost per home plus final audit costs.
Small Business Energy Solutions	Approved customers and rebate amounts.
Custom	Approved 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
2023	\$ 377
2024	349
2025	349



## EFFICIENCYONE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (IN THOUSANDS)

#### 11. SIGNIFICANT EVENT

On March 11, 2020, the World Health Organization declared COVID-19 a world-wide pandemic. After this, the federal and provincial governments put into effect restrictions on businesses and travel, leading to the Province of Nova Scotia declaring a State of Emergency on March 22, 2020. The State of Emergency continued throughout 2021, ending March 21, 2022. As a result, economic uncertainties have arisen.

Although the disruption from the pandemic is expected to be temporary, given the dynamic nature of the circumstances, the actual impact of this event on the Corporation's future operations and cash flows cannot be reliably estimated at this time.

#### 12. RISK MANAGEMENT

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

	Risks		
	Credit	Liquidity	Market
Cash	X		X
Accounts receivable	X		
Accounts payable and accrued liabilities		X	X
Investments			X

The Corporation's risk exposure has increased from the prior year, due to the overall increase in financial instruments.

##### 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.

##### 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 monthly. 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 additional currency risk other than that recognized through other price risk, as certain investments are denominated in foreign currencies.



**12. RISK MANAGEMENT (continued)**

## 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.

## i) Other price risk

Other price risk is the risk that the fair value of a financial instrument or the related future cash flows will fluctuate due to changes in market prices. The Corporation is exposed to other price risk with regard to its investments.

The Corporation's investments include pooled funds which are subject to risks arising from changes in market conditions. The Corporation manages this risk by using an investment manager and maintaining a diversified portfolio with a mix of bonds and equity funds in accordance with the Corporation's investment policy.

## EFFICIENCYONE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (IN THOUSANDS)

#### 13. COST ALLOCATION METHODOLOGY

	Allocator	Expenses subject to Allocation		DSM Fund Allocation	Provincial Fund Allocation	Other Business Fund Allocation			
Incentives	Direct	\$	71	\$	21	\$	49	\$	1
Information technology	FTE		328		207		109		12
Information technology	Direct		802		393		400		9
Marketing, outreach, education and research	Direct		2,120		1,068		860		192
Meetings and travel	Direct		274		134		133		7
Office and insurance	FTE		173		109		58		6
Office and insurance	Direct		255		125		127		3
Professional fees and consulting	Direct		425		210		210		5
Program support	Direct		43		14		27		2
Rent	FTE		703		444		233		26
Salaries and benefits	FTE		13,844		8,698		4,637		509
Training and development	FTE		319		175		137		7
		\$	19,357	\$	11,598	\$	6,980	\$	779

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 NSUARB.