Passive House Canada

Financial Statements

Year Ended December 31, 2018

Dusanj + Wirk CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors of Passive House Canada

Report on the Financial Statements

Opinion

We have audited the financial statements of Passive House Canada (the Organization), which comprise the statement of financial position as at December 31, 2018, and the statements of revenues and expenditures and changes in net assets and cash flows for the year then ended, and 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 Organization as at December 31, 2018, 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.

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 Organization 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Other Legal and Regulatory Requirements

As required by the Canada Not-for-profit Corporations Act, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting

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process.

Auditor's 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 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 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 Organization'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 Organization'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 auditor's report. However, future events or conditions may cause the Organization 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.

Dusanj & Wirk

Victoria, British Columbia
June 18, 2019

Chartered Professional Accountants

Passive House Canada

Statement of Financial Position

December 31, 2018

	2018 $	2017 $
Assets		
Current		
Cash	86,918	91,371
Accounts receivable	61,420	20,049
Prepaid expenses	55,682	50,765
	204,020	162,185
Property and equipment *(Note 3)*	13,045	13,184
	217,065	175,369
Liabilities		
Current		
Accounts payable	84,575	115,500
Government remittances payable	9,708	2,200
	94,283	117,700
Deferred income	117,480	89,415
	211,763	207,115
Net Assets		
Unrestricted	5,302	(31,746)
	217,065	175,369

On behalf of the Board

______________________________ *Director*

______________________________ *Director*

The accompanying notes are an integral part of these financial statements

Passive House Canada

Statement of Revenues and Expenditures and Changes in Net Assets

Year Ended December 31, 2018

	2018 $	2017 $
Revenues		
Memberships	167,000	104,367
Education	931,666	864,335
Events	310,361	103,851
Grants	30,629	34,952
Supporters	2,504	96,187
Programs and projects	157,268	-
Other	2,214	5,183
	1,601,642	1,208,875
Expenses		
Advertising and promotion	17,101	40,306
Amortization	3,165	3,276
Bad debts	-	425
Bank charges	39,688	29,536
Board expenses	6,294	570
Education	460,376	432,058
Events	189,036	157,345
Insurance	1,335	2,928
Membership fees	38,254	22,210
Office	39,739	31,990
Organizational development	21,262	23,519
Professional fees	40,988	22,224
Programs and projects	40,669	-
Rental	34,792	29,936
Travel	26,008	14,574
Wages and employee benefits	605,887	368,523
	1,564,594	1,179,420
Net excess of revenues over expenses	37,048	29,455
Net assets - beginning of year	(31,746)	(61,201)
Net assets - end of year	5,302	(31,746)

The accompanying notes are an integral part of these financial statements

Passive House Canada
Statement of Cash Flows
Year Ended December 31, 2018

	2018 $	2017 $
Operating activities		
Excess of revenues over expenses	37,048	29,455
Item not affecting cash:		
Amortization of property and equipment	3,165	3,276
	40,213	32,731
Changes in non-cash working capital:		
Accounts receivable	(41,371)	47,366
Accounts payable	(30,925)	32,494
Prepaid expenses	(4,917)	(21,325)
Government remittances payable	7,508	(7,518)
Deferred income	28,065	52,915
	(41,640)	103,932
Cash flow from operating activities	(1,427)	136,663
Investing activity		
Purchase of equipment	(3,026)	(3,636)
Increase (decrease) in cash flow	(4,453)	133,027
Cash (deficiency) - beginning of year	91,371	(41,656)
Cash - end of year	86,918	91,371

The accompanying notes are an integral part of these financial statements

1. Purpose of the organization

Passive House Canada (the "organization") is a not-for-profit organization incorporated federally under the Canada Not-for-profit Corporations Act. As a registered charity the organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The purpose of the organization is to encourage and support the design and construction of buildings meeting the International Passive House standard of building energy efficiency in Canada.

2. Summary of significant accounting policies

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO), and include the following significant accounting policies:

Revenue recognition

Passive House Canada follows the deferral method of accounting for contributions.

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. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life on a declining balance basis at the following rates:

Computer equipment	30%
Furniture and fixtures	20%

In the year of acquisition only one-half of the normal rate is applied.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, cash and financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred. The organization's financial instruments consist of cash, accounts receivable, accounts payable, and accrued liabilities.

3. Property and equipment

	2018		2017	
	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $
Computer equipment	8,447	3,648	5,537	2,550
Furniture and fixtures	13,647	5,401	13,531	3,334
	22,094	9,049	19,068	5,884
Net book value	13,045		13,184	

4. Financial risks and concentration of risks

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2018. There have been no significant changes in the organization's risk exposure from the prior year.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. In order to reduce its credit risk, the organization reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of customers which minimizes concentration of credit risk.

Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The company does not use derivative instruments to reduce its exposure to foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

Unless otherwise noted, it is management’s opinion that the organization is not exposed to significant other price risks arising from these financial instruments.

5. Lease commitments

The organization has a long term lease from BC Oil & Gas Comission with respect to its premises. The lease provides for payment of utilities, property taxes and maintenance costs. Future minimum lease payments as at December 31, 2018, are as follows:

	$
2019	21,973
2020	23,467
2021	25,600
2022	25,813
2023	27,093
Thereafter	23,467