

**Passive House Canada
Financial Statements
Year Ended December 31, 2019**

Independent Auditor's Report

To the 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, 2019, 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, 2019, 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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Independent Auditor's Report to the Directors of Passive House Canada *(continued)*

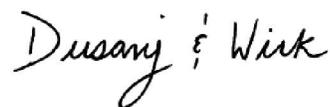
process.

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 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.



Passive House Canada
Statement of Financial Position
December 31, 2019

	2019 \$	2018 \$
Assets		
Current		
Cash	-	86,918
Restricted cash (<i>Note 3</i>)	169,200	-
Accounts receivable	80,581	61,420
Prepaid expenses	88,531	55,682
	<u>338,312</u>	<u>204,020</u>
Equipment (<i>Note 4</i>)	39,068	13,045
Total assets	<u>377,380</u>	<u>217,065</u>
Liabilities		
Current		
Bank overdraft	53,617	-
Accounts payable and accrued liabilities	266,553	84,576
Government remittances payable	5,015	9,708
Project reserve payable (<i>Note 3</i>)	169,200	-
	<u>494,385</u>	<u>94,284</u>
Deferred income	159,455	117,480
Total liabilities	653,840	211,764
Net Assets		
Unrestricted	<u>(276,460)</u>	5,301
Total liabilities and net assets	<u>377,380</u>	<u>217,065</u>

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, 2019**

	2019	2018
	\$	\$
Revenues		
Memberships	218,722	167,000
Education	1,072,643	931,666
Events	364,072	310,361
Grants	33,255	30,629
Supporters	-	2,504
Programs and projects	206,112	157,268
Other	2,636	2,214
	<u>1,897,440</u>	<u>1,601,642</u>
Expenses		
Advertising and promotion	18,713	17,101
Amortization	8,300	3,165
Bank charges	46,622	39,688
Board expenses	15,988	6,294
Education	555,033	460,376
Events	199,000	189,036
Insurance	4,234	1,335
Membership fees	52,685	38,254
Office	74,522	39,739
Organizational development	38,995	21,262
Professional fees	63,863	40,988
Programs and projects	61,580	40,669
Rental	53,672	34,792
Travel	30,139	26,008
Wages and employee benefits	955,855	605,887
	<u>2,179,201</u>	<u>1,564,594</u>
Net excess (deficiency) of revenues over expenses	(281,761)	37,048
Net assets (deficiency) - beginning of year	<u>5,301</u>	<u>(31,747)</u>
Net assets (deficiency) - end of year	<u>(276,460)</u>	<u>5,301</u>

The accompanying notes are an integral part of these financial statements

Passive House Canada
Statement of Cash Flows
Year Ended December 31, 2019

	2019	2018
	\$	\$
Operating activities		
Excess (deficiency) of revenues over expenses	(281,761)	37,048
Item not affecting cash:		
Amortization of equipment	8,300	3,165
	<u>(273,461)</u>	<u>40,213</u>
Changes in non-cash working capital:		
Accounts receivable	(19,161)	(41,371)
Accounts payable and accrued liabilities	181,978	(30,925)
Prepaid expenses	(32,849)	(4,917)
Government remittances payable	(4,693)	7,508
Restricted cash	(169,200)	-
Deferred income	41,975	28,065
Project reserve payable	169,200	-
	<u>167,250</u>	<u>(41,640)</u>
Cash flow used by operating activities	<u>(106,211)</u>	<u>(1,427)</u>
Investing activity		
Purchase of equipment	<u>(34,324)</u>	<u>(3,026)</u>
Decrease in cash flow	<u>(140,535)</u>	<u>(4,453)</u>
Cash - beginning of year	<u>86,918</u>	<u>91,371</u>
Cash (deficiency) - end of year	<u><u>(53,617)</u></u>	<u><u>86,918</u></u>

The accompanying notes are an integral part of these financial statements

Passive House Canada
Notes to Financial Statements
Year Ended December 31, 2019

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.

Equipment

Equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life at the following rates and methods:

Computer equipment	30%	declining balance method
Furniture and fixtures	20%	declining balance method
Tools and dies	6 years	straight-line method

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

Financial instruments policy

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.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Passive House Canada
Notes to Financial Statements
Year Ended December 31, 2019

3. Project reserve payable

The project reserve payable is relating to funds received from the City of Vancouver for the Near Zero project. The organization is acting as an administrator on this project and holds these funds to be disbursed on the city's behalf to designated contractors as directed by the City of Vancouver. The funds held relating to this project reserve are classified restricted cash, and are only to be accessed by the organization for their intended use.

4. Equipment

	2019		2018	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Computer equipment	25,011	7,572	8,447	3,648
Furniture and fixtures	17,145	7,400	13,647	5,401
Leasehold improvements	14,261	2,377	-	-
	56,417	17,349	22,094	9,049
Net book value	39,068		13,045	

5. Short term debt

The organization has a \$100,000 revolving line of credit of which \$nil was used as at December 31, 2019. Bank advances on the credit line are payable on demand and bear interest at 2% over prime.

6. Financial risks and concentrations of risk

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, 2019.

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. There are no doubtful accounts at year end. The organization has a significant number of customers which minimizes concentration of credit risk.

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, and accounts payable.

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Passive House Canada
Notes to Financial Statements
Year Ended December 31, 2019

6. Financial risks and concentrations of risk (continued)

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.

Economic risk

Economic risk is the risk that economic factors will impact the organization's operations. The global economic impact arising from the Covid-19 pandemic exposes the organization to economic risk. The impact on the organization's operations is not readily determinable.

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

7. Lease commitments

The organization has a long term lease from BC Oil & Gas Commission 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, 2019, are as follows:

	<u>\$</u>
2020	23,467
2021	25,600
2022	25,813
2023	27,093
2024	23,467