Financial Statements of

EFFICIENCY MANITOBA INC.

And Independent Auditors' Report thereon

Year ended March 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Efficiency Manitoba Inc.

Opinion

We have audited the financial statements of Efficiency Manitoba Inc. (the "Entity"), which comprise the statement of financial position as at March 31, 2020, the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 auditors' report.

We are independent of the Entity 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.

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 public sector accounting standards, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report 2019-20".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, and remain alert for indications that the other information appears to be materially misstated.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report 2019-20" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 Entity 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.

- 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.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

June 24, 2020

EFFICIENCY MANITOBA INC.

Statement of Financial Position

As at March 31, 2020, with comparative information for 2019

		2020		2019
Financial assets:				
Cash	$	117,278	$	32,650
Accounts receivable and accrued revenue		139,854		–
		257,132		32,650
Financial liabilities:				
Accounts payable and accrued liabilities		257,132		18,159
Deferred revenue		–		25,763
		257,132		43,922
Net debt		–		(11,272)
Non-financial assets:				
Tangible capital assets (note 2)		18,561		9,219
Prepaid expenses		–		2,053
		18,561		11,272
Accumulated surplus	$	18,561	$	–

Accumulated surplus is comprised of:

Invested in tangible capital assets	$	18,561	$	–

Subsequent event (note 5)

See accompanying notes to financial statements.

On behalf of the Board:

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Original Document Signed Director

EFFICIENCY MANITOBA INC.

Statement of Operations and Accumulated Surplus

Year ended March 31, 2020, with comparative information for 2019

	Budget (Note 4)	2020	2019
Revenue:			
Manitoba Hydro contributions	$ 3,326,010	$ 3,515,617	$ 174,237
Interest income	–	45	–
	3,326,010	3,515,662	174,237
Expenses:			
Amortization & depreciation	192,156	8,032	2,301
Board expenses	–	3,077	6,148
Board remuneration and benefits	70,100	75,177	69,600
Legal and consulting fees	615,000	217,248	16,080
Managed services	20,711	23,863	–
Office and administration	21,443	16,430	6,595
Regulatory expense	1,500,600	2,303,743	–
Rent	48,000	48,692	16,111
Salaries and benefits	852,000	798,877	57,402
Travel	6,000	1,962	–
	3,326,010	3,497,101	174,237
Surplus for the year	–	18,561	–
Accumulated surplus, beginning of year	–	–	–
Accumulated surplus, end of year	$ –	$ 18,561	$ –

See accompanying notes to financial statements.

EFFICIENCY MANITOBA INC.

Statement of Changes in Net Debt

Year ended March 31, 2020, with comparative information for 2019

		2020		2019
Surplus for the year	$	18,561	$	–
Acquisition of tangible capital assets		(17,374)		(11,520)
Amortization of tangible capital assets		8,032		2,301
Change in prepaid expenses		2,053		(2,053)
		11,272		(11,272)
Net debt, beginning of year		(11,272)		–
Net debt, end of year	$	–	$	(11,272)

See accompanying notes to financial statements.

EFFICIENCY MANITOBA INC.

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating transactions:		
Surplus for the year	$ 18,561	$ –
Amortization of tangible capital assets	8,032	2,301
Change in non-cash operating working capital:		
Accounts receivable and accrued revenue	(139,854)	–
Prepaid expenses	2,053	(2,053)
Accounts payable and accrued liabilities	238,973	18,159
Deferred revenue	(25,763)	25,763
	102,002	44,170
Capital transactions:		
Additions to tangible capital assets	(17,374)	(11,520)
Increase in cash	84,628	32,650
Cash, beginning of year	32,650	–
Cash, end of year	$ 117,278	$ 32,650

See accompanying notes to financial statements.

General:

The Efficiency Manitoba Act was proclaimed into effect on January 24, 2018. The Act established a crown corporation without share capital, Efficiency Manitoba Inc. (the “Corporation”). The Board of Directors of the Corporation was appointed May 16, 2018 and therefore the Corporation was inactive in the period ended March 31, 2018. The Corporation commenced operations effective April 1, 2020.

The mandate of Efficiency Manitoba Inc. is to:

- Implement and support demand-side management initiatives to meet savings targets and achieve any resulting reductions in greenhouse gas emissions in Manitoba;
- Achieve additional reductions in the consumption of electrical energy or natural gas if the reductions can be achieved in a cost-effective manner;
- Mitigate the impact of rate increases and delay the point at which capital investments in major new generation and transmission projects will be required to serve the needs of Manitobans; and
- Promote and encourage the involvement of the private sector and other non-governmental entities in the delivery of its demand-side management initiatives.

The Corporation is exempt from income taxes under *The Income Tax Act.*

In recognition of the benefits received by Manitoba Hydro from the efforts of the Corporation, Manitoba Hydro is responsible for funding operations of the Corporation pursuant to legislation. The Corporation is therefore economically dependent on Manitoba Hydro for continued operations.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

(a) Revenue:

Contributions from Manitoba Hydro are recognized in the period in which the transactions or events occurred that gave rise to the revenue.

Investment income is recognized as revenue in the year in which the income was earned.

1. Significant accounting policies (continued):

(b) Expenses:

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

(c) Financial instruments:

Derivative instruments and equity instruments that are quoted in an active market are reported, on initial recognition and subsequently, at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to carry these instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

Canadian public sector accounting standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The Corporation has no financial instruments that are measured at fair value.

1. Significant accounting policies (continued):

(d) Tangible capital assets:

Tangible capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a tangible capital asset no longer contributes to the Corporation's ability to provide services, its carrying amount is written down to its residual value.

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Estimated useful lives
Computer	3 years
Furniture and fixtures	2 years

(e) Employee future benefits:

Pension payments are recognized as operating expenses as payments are made under provisions of *The Manitoba Civil Service Superannuation Act.* Retirement entitlement obligations, vested sick leave, severance and vacation entitlement benefits, if any, are accrued as employees earn the benefits.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Tangible capital assets:

Cost	Balance at March 31, 2019	Additions	Disposals	2020 Total	2019 Total
Computers	$ 6,951	$ 10,954	$ –	$ 17,905	$ 6,951
Furniture and fixtures	4,569	6,420	–	10,989	4,569
	$ 11,520	$ 17,374	$ –	$ 28,894	$ 11,520

Accumulated Amortization	Balance at March 31, 2019	Additions	Disposals	2020 Total	2019 Total
Computers	$ 1,159	$ 4,143	$ –	$ 5,302	$ 1,159
Furniture and fixtures	1,142	3,889	–	5,031	1,142
	$ 2,301	$ 8,032	$ –	$ 10,333	$ 2,301

Net book value	2020 Total	2019 Total
Computers	$ 12,603	$ 5,792
Furniture and fixtures	5,958	3,427
	$ 18,561	$ 9,219

3. Financial risks:

Liquidity risk:

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

4. Budget:

On March 18, 2019, the Board of Directors of the Corporation approved the 2019/20 operating budget which has been utilized in these financial statements.

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5. Subsequent event:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Corporation has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Delay of the public launch for Efficiency Manitoba including the Spring Retail Rebate campaign.
- Ceasing of all programs requiring Efficiency Manitoba's third-party contractors to access customer homes and businesses.
- Implemented a temporary pause on the transition of staff recognizing public health orders to facilitate working from home to the extent practical and to provide time for required collaboration with bargaining units on Provincial Workforce Sustainability.

At this time these factors present uncertainty over the timing of future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations and the Corporation's ability to achieve targeted energy savings for year 1 of its 3-Year Efficiency Plan. An estimate of the financial effect is not practicable at this time.