NON-CONFIDENTIAL

Undertaking U-1:

In reference to ENSC's Financial Statements dated December 31, 2011, please provide the following information.

a) **Page 7 states that the Corporations prepaids policy is to capitalize any prepaid expense that is over $10,000. Why is ENSC capitalizing prepaid expenses?**

b) **With respect to ENSC's capital assets policy (page 8), please explain why ENSC is using a three-year depreciation term for furniture and fixtures.**

Response U-1:

Collins Barrow reviews Efficiency Nova Scotia's accounting policies annually to ensure consistency and compliance with Canadian accounting standards for not-for-profit organizations.

a) Prepaid expenses under $10,000 are not recorded (capitalized) on Efficiency Nova Scotia's Statement of Financial Position. The term "capitalized" in the notes to the 2011 Financial Statements refers to whether something is recorded on the Statement of Financial Position or expensed in the year it is incurred. Consistent with the cost versus benefit principle in financial statement presentation, it is common practice for companies to not record prepaid expenses on their Statement of Financial Position for amounts under a predetermined threshold.

b) Efficiency Nova Scotia's policy is to amortize (depreciate) furniture and fixtures on a straight line basis over a period of three years. Efficiency Nova Scotia has chosen a conservative amortization period for its furniture and fixtures. This is consistent with common practice in not-for-profit organizations.