

**LINUX PROFESSIONAL INSTITUTE INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**  
**(EXPRESSED IN U.S. DOLLARS)**

***DRAFT***  
*Kwart & Company*  
*Professional Corporation*

# *Kwart & Company*

*Professional Corporation*

## INDEPENDENT AUDITOR'S REPORT

To the Members of Linux Professional Institute Inc.

### **Opinion**

We have audited the consolidated financial statements of Linux Professional Institute Inc., which comprise of the consolidated statement of financial position as at December 31, 2025, and the consolidated statement of changes in net assets, revenues and expenses and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Linux Professional Institute Inc. as at December 31, 2025, and the results of its operations and 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 Entity 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.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 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. When individuals responsible for the oversight of the financial reporting process are the same as those responsible for the preparation of the financial statements, no reference to oversight responsibilities is required.

# **DRAFT**

9004 WOODBINE AVENUE, MARKHAM, ONTARIO L3R 0J7

Telephone 905-477-6400 • Fax 905-477-6407

kwartco.com • info@kwartco.com

# *Kwart & Company*

*Professional Corporation*

## **Auditor's Responsibilities for the Audit of the 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 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 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 Entity 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 consolidated 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.

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KWART & COMPANY PROFESSIONAL CORPORATION

*Kwart & Company Professional Corporation.*

*Authorized to practice public accounting by the Chartered Professional Accountants of Ontario*

**DRAFT**

9004 WOODBINE AVENUE, MARKHAM, ONTARIO L3R 0J7  
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kwartco.com • info@kwartco.com

**LINUX PROFESSIONAL INSTITUTE INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2025**  
**(EXPRESSED IN U.S. DOLLARS)**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 803,234	\$ 1,048,995
Investments	2,038,900	1,436,749
Accounts receivable	163,940	300,863
Government remittances receivable	19,562	12,330
Prepaid expenses	<u>103,473</u>	<u>144,358</u>
	3,129,109	2,943,295
<b>PROPERTY, PLANT, AND EQUIPMENT</b> <i>(Note 2)</i>	<u>15,563</u>	<u>18,953</u>
	<u>\$ 3,144,672</u>	<u>\$ 2,962,248</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 201,038	\$ 319,271
Prepaid vouchers	<u>5,288</u>	<u>6,023</u>
	<u>206,326</u>	<u>325,294</u>
<b>NET ASSETS</b>		
<b>OPERATING FUND</b>	2,916,653	2,611,871
<b>INVESTED IN CAPITAL ASSETS</b>	<u>21,693</u>	<u>25,083</u>
	<u>2,938,346</u>	<u>2,636,954</u>
	<u>\$ 3,144,672</u>	<u>\$ 2,962,248</u>

**APPROVED BY THE BOARD:**

\_\_\_\_\_ Director  
(Signed)

\_\_\_\_\_ Director  
(Signed)

**DRAFT**  
**Kwart & Company**  
Professional Corporation

**LINUX PROFESSIONAL INSTITUTE INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**(EXPRESSED IN U.S. DOLLARS)**

	<u>Operating Fund</u>	<u>Invested in Capital Assets</u>	<u>Internally Restricted Funds</u>	<u>2025 Total</u>	<u>2024 Total</u>
<b>BALANCE</b> , beginning of year	\$ 2,611,871	\$ 25,083	\$ -	\$ 2,636,954	\$ 2,243,271
Excess of revenue over expenses	<u>304,782</u>	<u>(3,390)</u>	<u>-</u>	<u>301,392</u>	<u>393,683</u>
	<u>2,916,653</u>	<u>21,693</u>	<u>-</u>	<u>2,938,346</u>	<u>2,636,954</u>
<b>BALANCE</b> , end of year	\$ <u>2,916,653</u>	\$ <u>21,693</u>	\$ <u>-</u>	\$ <u>2,938,346</u>	\$ <u>2,636,954</u>

**LINUX PROFESSIONAL INSTITUTE INC.**  
**CONSOLIDATED STATEMENT OF REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**(EXPRESSED IN U.S. DOLLARS)**

	<b>2025</b>	<b>2024</b>
<b>REVENUE:</b>		
Revenue	\$ 8,932,506	\$ 9,411,593
Less: Testing Direct Costs	<u>(6,068,661)</u>	<u>(6,257,855)</u>
Net Testing Revenue	<u>2,863,845</u>	<u>3,153,738</u>
<b>EXPENSES:</b>		
Operating and maintenance	1,441,380	1,581,295
Payroll and related	549,643	679,575
Marketing and advertising	311,652	218,045
General and administrative	211,822	181,390
Utilities and facilities	52,342	58,649
Amortization	4,784	6,128
(Gain) loss on foreign exchange	<u>(9,170)</u>	<u>34,973</u>
	<u>2,562,453</u>	<u>2,760,055</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ 301,392</u>	<u>\$ 393,683</u>

# LINUX PROFESSIONAL INSTITUTE INC.

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2025

(EXPRESSED IN U.S. DOLLARS)

	<u>2025</u>	<u>2024</u>
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 301,392	\$ 393,683
<u>Items not requiring an outlay of cash:</u>		
Amortization	<u>4,784</u>	<u>6,128</u>
	<u>306,176</u>	<u>399,811</u>
<u>Changes in non-cash working capital:</u>		
Accounts receivable	136,923	(145,922)
Government remittances receivable	(7,232)	19,369
Prepaid expenses	40,885	(2,831)
Accounts payable and accrued liabilities	(118,234)	99,733
Prepaid vouchers	<u>(735)</u>	<u>4,023</u>
	<u>51,607</u>	<u>(25,628)</u>
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<u>357,783</u>	<u>374,183</u>
<b>INVESTING ACTIVITIES</b>		
Investments	(602,150)	(133,629)
Purchase of capital assets	<u>(1,394)</u>	<u>-</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<u>(603,544)</u>	<u>(133,629)</u>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	(245,761)	240,554
<b>CASH &amp; CASH EQUIVALENTS, beginning of year</b>	<u>1,048,995</u>	<u>808,441</u>
<b>CASH &amp; CASH EQUIVALENTS, end of year</b>	<u>\$ 803,234</u>	<u>\$ 1,048,995</u>

# LINUX PROFESSIONAL INSTITUTE INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

(EXPRESSED IN U.S. DOLLARS)

### NATURE OF OPERATIONS

Linux Professional Institute Inc. ("LPI") operates internationally serving the community of Linux and open source software users, vendors and developers, in the interest of increasing and supporting professional use of such software throughout the world. The organization seeks to improve the skills and resources of Linux and open source professionals, by providing certification services and setting standards which are relevant, of high quality, and widely accessible.

LPI is incorporated without share capital pursuant to the provisions of the New Brunswick Companies Act as a not-for-profit organization. The organization is tax-exempt under the Income Tax Act (Canada). These consolidated financial statements include all of the activities of Linux Professional Institute Inc, as well as its wholly owned subsidiary Linux Professional Institute Japan K.K. ("LPI Japan"), with the exception of the autonomous affiliates which operate under their own management and are excluded from the financial operations of LPI.

LPI Japan is an incorporated business, which is subject to paying corporate taxes in Japan. LPI Japan was incorporated in 2019, in order to open a bank account in Japan to accept payments from Japan companies who wanted to become training partners of LPI. LPI Japan handles all of the partnership activities in Japan on behalf of LPI, including the sale of exam vouchers.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles.

#### (a) BASIS OF ACCOUNTING

The organization follows the accrual method of accounting. The accrual basis recognizes revenues as they become available and measurable, using the deferral method to recognize the revenue; expenses are recognized as they are incurred and measurable as a result of goods or services received and the creation of a legal obligation to pay.

#### (b) BASIS OF CONSOLIDATION

The consolidated financial statements for the organization include the accounts of the organization and LPI Japan drawn up to the reporting date. LPI controls LPI Japan.

Control exists when the organization has existing rights that give it the current ability to direct the activities that significantly affect the entity's returns. The organization reassesses control on an ongoing basis.

All intercompany transactions, balances, income and expenses are eliminated in preparing the consolidated financial statements.

#### (c) FOREIGN CURRENCY TRANSLATIONS

The organization uses the temporal method to translate its foreign currency transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange at the balance sheet date. Revenues and expenses are translated at the exchange rates prevailing on the transaction date. Realized and unrealized exchange gains and losses are included in income in the current period.

# LINUX PROFESSIONAL INSTITUTE INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

(EXPRESSED IN U.S. DOLLARS)

(d) USE OF ESTIMATES

The preparation of the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to use estimates and make assumptions that affect the reported amounts of certain assets and liabilities at the date of these financial statements and the reported amounts of certain revenue and expenses during the year. Significant items subject to such estimates and assumptions include the determination of the allowance for uncollectible accounts receivable, the estimated useful life of the capital assets, and the valuation of prepaid vouchers. Actual results may differ from these estimates.

(e) CAPITAL ASSETS

Capital assets are recorded at cost and amortized over their estimated useful lives on a declining balance basis at the following annual rates:

Computer equipment	- 20%
Office equipment	- 20%
Software and website	- 30%
Furniture and fixtures	- 20%

The above rates are reviewed annually to ensure they are still appropriate. Any changes are adjusted for on a prospective basis.

If there is an indication that the fixed assets may be impaired, an impairment test is performed that compares the carrying amount to the net recoverable amount, which is normally determined by estimating the sales less direct costs on an undiscounted basis over the remaining life of the asset. There were no impairment indicators in 2025.

(f) FUND ACCOUNTING

The general activities of the organization are recorded in the operating fund. The operating fund is responsible for the organization's program delivery, administration and maintenance of existing examinations. This fund reports unrestricted sources of revenue.

The Internally Restricted Funds reports only internally restricted resources which are to be used pursuant to guidelines established by the Board of Directors. There are two internally restricted funds:

Technology Infrastructure Fund was established to enhance LPI's website presence, social media, and ERP/Reporting systems.

New Exam Development Fund, formerly Linux Essentials Fund, was established to create a new Cloud exam.

The Invested in Capital Asset Fund reports the assets, liabilities, revenue and expenditures related to the fund's capital assets.

(g) REVENUE RECOGNITION

The organization follows the deferral method of accounting for contributions.

**LINUX PROFESSIONAL INSTITUTE INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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The organization generates the majority of its revenue from certification examinations. The certification examinations include testing revenue which is recognized at the time when the examination is written. Approximately 56% (2024 - 54%) of the testing revenue comes from one customer.

Examination development revenue is recognized on a project completion basis.

All other revenues of the organization are recognized in the year that the related revenue has been earned.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

(h) **MEASUREMENT OF FINANCIAL INSTRUMENTS**

The organization initially measures its financial assets and liabilities at fair value.

The corporation subsequently measures all its financial assets and financial liabilities at amortized cost.

Changes in fair value are recognized in excess of revenue over expenses.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and prepaid vouchers.

The organization has not designated any financial asset or financial liability to be measured at fair value.

(i) **CONTRIBUTED SERVICES**

Contributed services are not recognized in the financial statements because of measurement uncertainties in determining the fair market value.

(j) **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash on hand and short-term highly liquid investments with a maturity of 90 days or less from the date of acquisition.

(k) **INVESTMENTS**

During the year, the Company changed its presentation of Guaranteed Investment Certificates (GICs) with maturity terms over 90 days. These are now classified as investments rather than cash and cash equivalents to better reflect the Company's liquidity management. Comparative figures have been reclassified to conform to this current year's presentation.

# LINUX PROFESSIONAL INSTITUTE INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025

(EXPRESSED IN U.S. DOLLARS)

### 2. PROPERTY, PLANT, AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2025</u>	<u>Net 2024</u>
Computer Equipment	\$ 53,491	\$ 45,020	\$ 8,471	\$ 10,355
Office equipment	15,598	13,556	2,042	1,891
Software and website	120,897	116,154	4,743	6,324
Furniture and fixtures	<u>2,030</u>	<u>1,723</u>	<u>307</u>	<u>383</u>
	<u>\$ 192,016</u>	<u>\$ 176,453</u>	<u>\$ 15,563</u>	<u>\$ 18,953</u>

### 3. FINANCIAL INSTRUMENTS

In the normal course of its business, the corporation is exposed to risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk resulting from the possibility that a counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The organization is also exposed to credit risk arising from its accounts receivable and due from affiliates. Credit risk is the risk that the counterparty to the transaction will not pay.

The organization is exposed to credit risk in connection with its cash since approximately 29% (2024 - 68%) of the organization's cash at year-end is held at one major financial institution.

The organization is exposed to credit risk in connection with its accounts receivable since approximately 73% (2024 - 92%) of the organization's accounts receivable at year-end is owed by one party.

#### Liquidity risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from liabilities such as accounts payable.

**LINUX PROFESSIONAL INSTITUTE INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**  
**(EXPRESSED IN U.S. DOLLARS)**

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Cash includes \$775,228 cash (2024 - \$635,120 cash) denominated in Canadian dollars, \$20,163 cash (2024 - \$93,231 cash) denominated in Euro currency, and \$195,094 cash (2024 - \$191,953 cash) denominated in Japanese Yen.

Approximately 62% of accounts receivable (2024 - 17%) are denominated in Japanese Yen currency and 0% of accounts receivable (2024 - 1%) are denominated in Euro currency, and are subject to foreign exchange fluctuations.