

**WATER FIRST EDUCATION AND TRAINING INC.
/L'EAU D'ABORD EDUCATION ET FORMATION INC.**

Financial Statements

August 31, 2021

INDEPENDENT AUDITOR'S REPORT

To the Directors of Water First Education and Training Inc./L'Eau d'Abord Education et Formation Inc.

Qualified Opinion

We have audited the financial statements of Water First Education and Training Inc./L'Eau d'Abord Education et Formation Inc. (the Organization), which comprise the statement of financial position as at August 31, 2021, and the statements of operations, changes in net assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at August 31, 2021, and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended August 31, 2021, current assets and net assets as at August 31, 2021. Our audit opinion on the financial statements for the year ended August 31, 2020 was modified accordingly because of the possible effects of this limitation of scope.

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 qualified audit 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 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 process.

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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.



February 16, 2022

Chartered Professional Accountants
Licensed Public Accountants

**WATER FIRST EDUCATION AND TRAINING INC./L'EAU D'ABORD EDUCATION ET
FORMATION INC.**

Statement of Financial Position

As at August 31, 2021

	2021	2020
	\$	\$
ASSETS		
CURRENT		
Cash	1,118,844	549,556
Accounts receivable (Note 3)	382,310	452,270
Prepaid expenses	6,969	6,969
	1,508,123	1,008,795
RESTRICTED CASH	1,341,253	-
CAPITAL ASSETS (Note 4)	131,716	83,299
	2,981,092	1,092,094
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	134,251	61,513
Government remittances payable (Note 10)	26,502	30,222
Deferred revenue (Note 5)	916,254	279,464
	1,077,007	371,199
DEFERRED CAPITAL CONTRIBUTIONS (Note 6)	95,924	51,461
	1,172,931	422,660
NET ASSETS	1,808,161	669,434
	2,981,092	1,092,094

APPROVED ON BEHALF OF THE BOARD

Leanne O'Brien  Director

Ed Kernaghan  Director

See accompanying notes

**WATER FIRST EDUCATION AND TRAINING INC./L'EAU D'ABORD EDUCATION ET
FORMATION INC.**

**Statement of Operations
For the Year Ended August 31, 2021**

	2021	2020
	\$	\$
REVENUES		
Individual donors	1,143,369	247,507
Fee for service	483,708	236,320
Foundations	486,604	300,939
Government grants	245,193	172,339
Corporate donors	296,038	53,458
Community groups	154,307	65,375
Government assistance <i>(Note 10)</i>	-	183,911
	<u>2,809,219</u>	<u>1,259,849</u>
EXPENSES		
Drinking water internship programs	967,299	690,059
Environmental water programs	276,051	133,061
Indigenous school water programs	163,175	161,200
Fundraising	126,575	103,576
Administration	137,392	50,449
	<u>1,670,492</u>	<u>1,138,345</u>
EXCESS OF REVENUES OVER EXPENSES	<u>1,138,727</u>	<u>121,504</u>

See accompanying notes

**WATER FIRST EDUCATION AND TRAINING INC./L'EAU D'ABORD EDUCATION ET
FORMATION INC.**

**Statement of Changes in Net Assets
For the Year Ended August 31, 2021**

	2020 Balance \$	Excess (deficiency) of revenues over expenses \$	Interfund transfers \$	2021 Balance \$
Unrestricted fund	637,596	1,472,537	(1,679,017)	431,116
Invested in capital assets fund	31,838	(5,063)	9,017	35,792
Drinking water internship program fund (<i>Note 7</i>)	-	(328,747)	840,000	511,253
Environmental water program fund (<i>Note 7</i>)	-	-	115,000	115,000
Indigenous school water program fund (<i>Note 7</i>)	-	-	115,000	115,000
Contingency fund (<i>Note 7</i>)	-	-	600,000	600,000
	669,434	1,138,727	-	1,808,161

See accompanying notes

**WATER FIRST EDUCATION AND TRAINING INC./L'EAU D'ABORD EDUCATION ET
FORMATION INC.**

Statement of Cash Flow

For the Year Ended August 31, 2021

	2021 \$	2020 \$
OPERATING ACTIVITIES		
Excess of revenues over expenses	1,138,727	121,504
Items not affecting cash:		
Amortization of capital assets	38,064	28,113
Amortization of deferred capital contributions	(33,003)	(25,448)
	1,143,788	124,169
Changes in non-cash working capital:		
Accounts receivable	69,960	26,392
Prepaid expenses	-	(2,888)
Accounts payable and accrued liabilities	72,738	(1,923)
Government remittances payable	(3,720)	20,960
Deferred revenue	636,790	81,927
	775,768	124,468
Cash flow from operating activities	1,919,556	248,637
FINANCING ACTIVITY		
Deferred capital contributions received	77,466	10,034
INVESTING ACTIVITY		
Purchase of capital assets	(86,481)	(43,079)
INCREASE IN CASH FLOW	1,910,541	215,592
Cash - beginning of year	549,556	333,964
CASH - END OF YEAR	2,460,097	549,556
CASH CONSISTS OF:		
Cash	1,118,844	549,556
Restricted cash	1,341,253	-
	2,460,097	549,556

See accompanying notes

**WATER FIRST EDUCATION AND TRAINING INC./L'EAU D'ABORD EDUCATION ET
FORMATION INC.**

**Notes to Financial Statements
For the Year Ended August 31, 2021**

1. PURPOSE OF THE ORGANIZATION

Water First Education and Training Inc./L'Eau d'Abord Education et Formation Inc. (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 Organization delivers water focused education and training programs in partnership with Indigenous communities 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).

Revenue recognition

Water First Education and Training Inc./L'Eau d'Abord Education et Formation Inc. 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.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Program revenue is recognized as revenue when the related expenditures are incurred.

Deferred program revenue represents amounts collected in advance for program in progress and where funds have not yet been expended at the Organization's year end.

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**WATER FIRST EDUCATION AND TRAINING INC./L'EAU D'ABORD EDUCATION ET
FORMATION INC.**

**Notes to Financial Statements
For the Year Ended August 31, 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund accounting

The accounts of the Organization have been segregated into the following funds for reporting purposes. The funds and the purposes of each are as follows:

Unrestricted Fund

The Unrestricted Fund reports unrestricted resources.

Invested in Capital Assets Fund

The Invested in Capital Assets Fund represents the total equity required to fund the capital assets of the Organization. The balance changes annually by the amount of capital asset additions and disposals, amortization of capital assets, loss on disposal of capital assets, and transfers from the Unrestricted Fund.

Drinking Water Internship, Environmental Water, and Indigenous School Water Program Funds

There are three separate, internally restricted funds for each of the core program areas: Drinking Water Internship, Environmental Water, and Indigenous School Water Programs. These funds support the costs relating to each program's implementation, improvement and expansion, as described in Note 7.

Contingency Fund

The Contingency Fund represents funds for the purpose of fulfilling the Organization's financial obligations, including employment related and lease commitments, to help fund any significant, unforeseen event in the future.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Computer	3 years	straight-line method
Equipment	5 years	straight-line method
Motor vehicles	7 years	straight-line method
Office furniture/equipment	20%	declining balance method
Leasehold improvements	15 years	straight-line method

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

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**WATER FIRST EDUCATION AND TRAINING INC./L'EAU D'ABORD EDUCATION ET
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**Notes to Financial Statements
For the Year Ended August 31, 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of estimates

The preparation of the Organization's financial statements, in accordance with Canadian accounting standards for not-for-profit organizations, requires management to make estimates and assumptions which 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 for the year. Significant items subject to such estimates and assumptions include the valuation of accounts receivable, estimated useful lives of capital assets and the amortization of deferred capital contributions. Due to the inherent uncertainty involved with making such estimates, actual results could differ from those reported. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

Contributed services

The operations of the Organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

Financial instruments

Measurement of Financial Instruments

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Organization subsequently measures all of its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and deferred revenue.

Impairment

At the end of each reporting period, the Organization assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as an impairment loss in the statement of operations.

Allocation of expenses

The Organization incurs salaries and benefits expenses and general and administrative support expenses that are common to the administration of the Organization and to each program that it operates. Salaries and benefits are allocated proportionately based on the percentage of time spent on that program. General and administrative support expenses are allocated based on the percentage used on each program.

**WATER FIRST EDUCATION AND TRAINING INC./L'EAU D'ABORD EDUCATION ET
FORMATION INC.**

**Notes to Financial Statements
For the Year Ended August 31, 2021**

3. ACCOUNTS RECEIVABLE

	2021	2020
	\$	\$
Fee for service receivable	240,620	210,200
Government grants receivable	94,318	220,406
Other receivable	13,525	7,345
HST rebate receivable	33,847	14,319
	382,310	452,270

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
	\$	\$	\$	\$
Computer	25,376	19,465	5,911	12,625
Equipment	122,271	76,513	45,758	26,447
Motor vehicle	73,264	24,504	48,760	12,847
Office furniture/equipment	11,858	2,707	9,151	7,605
Leasehold improvements	24,595	2,459	22,136	23,775
	257,364	125,648	131,716	83,299

5. DEFERRED REVENUE

	2021	2020
	\$	\$
Foundations	86,854	32,204
Government grants	236,808	109,276
Fee for service	227,675	131,065
Community groups	98,000	-
Corporate donors	266,917	6,919
	916,254	279,464

Deferred revenues represent funds received to be used for drinking water internship, environmental water, and indigenous school water programs in future periods.

**WATER FIRST EDUCATION AND TRAINING INC./L'EAU D'ABORD EDUCATION ET
FORMATION INC.**

**Notes to Financial Statements
For the Year Ended August 31, 2021**

6. DEFERRED CAPITAL CONTRIBUTIONS

	2021	2020
	\$	\$
Balance, beginning of year	51,461	66,875
Contributions received during the year	77,466	10,034
Amortization of deferred capital contributions	(33,003)	(25,448)
Balance, end of year	<u>95,924</u>	<u>51,461</u>

Deferred capital contributions represent the unamortized amount of funding and donations received for the purchase of capital assets.

7. INTERNALLY RESTRICTED FUNDS

On August 31, 2021 the Board of Directors approved the creation of three internally restricted funds for the Organization's core program areas.

The funds and the purposes of each are as follows:

Drinking Water Internship Program Fund

The Drinking Water Internship Program addresses the need for locally-based technical skills training and supports young Indigenous adults to become certified water treatment plant operators, ensuring sustainable access to safe drinking water in Indigenous communities, now and for the long term.

The Organization has seen significant demand from Indigenous communities and collaborations are multi-year, spanning over the Organization's fiscal year. The Drinking Water Internship Fund represents funds to support the costs relating to the drinking water program's expansion, implementation and improvement, including identifying and onboarding future community partners and trainees.

Environmental Water Program Fund

The Environmental Water Program supports Indigenous communities seeking ways to strengthen local technical capacity to manage environmental water resources, and to track the effects of industry and climate change. Training projects include water quality analysis, contaminant studies, and fish habitat restoration.

Collaborations with Indigenous communities are multi-year and in some cases span over two to three years. The Environmental Water Program Fund represents funds to support the costs relating to the environmental water program's implementation, improvement and expansion, including the development and piloting of an environmental water certification initiative.

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**WATER FIRST EDUCATION AND TRAINING INC./L'EAU D'ABORD EDUCATION ET
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**Notes to Financial Statements
For the Year Ended August 31, 2021**

7. INTERNALLY RESTRICTED FUNDS (continued)

Indigenous School Water Program Fund

The Indigenous School Water Program delivers engaging, hands-on science, technology, engineering, and mathematics (STEM) based water science programs to schools in Indigenous communities. These programs create opportunities for students to strengthen their understanding and relationship with the environment, and to explore future careers in the water sciences.

The Indigenous School Water Program Fund represents funds to support the costs relating to the program's implementation, improvement and expansion, including further integration with the drinking water and environmental water programs and continued outreach to new Indigenous community partners, schools and students.

Contingency Fund

During the year the Board of Directors also approved a fund transfer of \$600,000 to create the Contingency Fund. This Contingency Fund represents funds for the purpose of fulfilling the Organization's financial obligations, including regular employment related obligations and lease commitments, and to help fund any significant, unforeseen event in the future.

8. ALLOCATION OF EXPENSES

The programs included in the Schedule of Operations include expense allocations from the total costs incurred by the Organization. Significant allocations are as follows:

	2021	2020
	\$	\$
Drinking water internship program		
Implementation and oversight	92,715	43,883
Professional fees	77,224	44,486
Salaries and wages	740,314	159,830
	<u>910,253</u>	<u>248,199</u>
Environmental water programs		
Implementation and oversight	11,861	-
Professional fees	5,423	25,174
Salaries and wages	52,180	47,368
	<u>69,464</u>	<u>72,542</u>
Indigenous school water programs		
Implementation and oversight	7,826	12,231
Professional fees	19,163	-
Salaries and wages	116,236	49,766
	<u>143,225</u>	<u>61,997</u>

**WATER FIRST EDUCATION AND TRAINING INC./L'EAU D'ABORD EDUCATION ET
FORMATION INC.**

**Notes to Financial Statements
For the Year Ended August 31, 2021**

9. LEASE COMMITMENTS

The Organization leases premises under a long term lease that expires on June 30, 2023. Under the lease, the Organization was required to pay a base rent of \$1,450 per month until June 30, 2021 and \$1,550 per month for the remainder of the lease term. In addition to the above base rent, the Organization must pay for its proportionate share of utilities, maintenance, and other related costs for the leased premises.

Future minimum lease payments as at year end are as follows:

	\$
2022	18,600
2023	<u>15,500</u>
	<u>34,100</u>

The Organization leases a second premise, adjacent and connected to the first, under a long term lease that expires on June 30, 2023. Under the lease, the Organization was required to pay a base rent of \$1,400 per month until June 30, 2021 and \$1,500 per month for the remainder of the lease term. In addition to the above base rent, the Organization must pay for its proportionate share of utilities, maintenance, and other related costs for the leased premises.

Future minimum lease payments as at year end are as follows:

	\$
2022	18,000
2023	<u>15,000</u>
	<u>33,000</u>

10. GOVERNMENT ASSISTANCE

In response to the COVID-19 pandemic the Government of Canada has committed to provide various forms of relief. The Company applied for the following relief provisions:

During the previous year, the Organization applied and its application was accepted for a wage subsidy known as the Canada Emergency Wage Subsidy (CEWS), funded by the Government of Canada. Under the CEWS, the Company was entitled to receive a subsidy for employee's wages – up to a calculated, maximum amount per week.

**WATER FIRST EDUCATION AND TRAINING INC./L'EAU D'ABORD EDUCATION ET
FORMATION INC.**

**Notes to Financial Statements
For the Year Ended August 31, 2021**

11. COVID-19

The global COVID-19 pandemic has disrupted economic activities and supply chains. Given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. Management is actively monitoring the impact of the situation on its financial condition, liquidity, operations, suppliers, industry and workforce.

The Organization recognizes the vulnerability of remote communities in light of COVID-19 and has respected the decisions of local leaders regarding in-person visits and travel. The Organization has only visited Indigenous communities where we have been invited, with approval from local leadership and with adherence to all appropriate safety measures. When travel has not been safe or online delivery is not possible, the Organization has had to defer travel and/or project costs.

The Organization's ability to continue to cover its operating expenses and meet other obligations as they come due is dependent on the continued ability to generate cash flows. Management believes the necessary steps have been taken to protect the continuity of operations and are monitoring the crisis daily. The Organization continues to deliver vital programming in collaboration with community partners.

12. FINANCIAL INSTRUMENT RISK

The Organization is exposed to various risks through its financial instruments. The following analysis provides information about the Organization's risk exposure and concentration as of August 31, 2021.

(a) Credit risk

The Organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party or if there is a concentration of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Organization does not directly hold any collateral as security for financial obligations.

Cash is exposed to credit risk as the amounts on deposit exceed the federally insured limits. The Organization minimizes its exposure by depositing cash at TD Canada Trust, a major financial institution.

Credit risk associated with accounts receivable is minimized by the Organization's diverse funder base. The Organization continually monitors the aging of its receivables and the Organization does not have a history of significant bad debt write-offs due to its monitoring procedures.

(b) 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 funders, donors and other related sources and accounts payable and accrued liabilities.

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