

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

Financial Statements

August 31, 2020

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, 2020, 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, 2020, 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, 2020, current assets and net assets as at August 31, 2020. Our audit opinion on the financial statements for the year ended August 31, 2019 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 18, 2021

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, 2020

	2020	2019
	\$	\$
ASSETS		
CURRENT		
Cash	549,556	333,964
Accounts receivable (Note 3)	452,270	478,661
Prepaid expenses	6,969	4,081
	<u>1,008,795</u>	<u>816,706</u>
CAPITAL ASSETS (Note 4)	<u>83,299</u>	<u>68,335</u>
	<u>1,092,094</u>	<u>885,041</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	61,513	63,437
Government remittances payable (Note 12)	30,222	9,262
Deferred revenue (Note 5)	279,464	197,537
	<u>371,199</u>	<u>270,236</u>
DEFERRED CAPITAL CONTRIBUTIONS (Note 6)	<u>51,461</u>	<u>66,875</u>
	422,660	337,111
NET ASSETS	<u>669,434</u>	<u>547,930</u>
	<u>1,092,094</u>	<u>885,041</u>

APPROVED ON BEHALF OF THE BOARD

 Ed Kernaghan *Director*

 Eric King *Director*

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

**Statement of Operations
For the Year Ended August 31, 2020**

	2020 \$	2019 \$
REVENUES		
Foundations	300,939	139,951
Individual donors	247,507	116,212
Fee for service (Note 9)	236,320	50,202
Government assistance (Note 12)	183,911	-
Government grants (Note 8)	172,339	543,542
Community groups	65,375	166,513
Corporate donors	53,458	138,900
	1,259,849	1,155,320
EXPENDITURES		
Drinking water	690,059	379,530
Indigenous schools water programs	161,200	164,386
Environmental water	133,061	323,933
Fundraising	103,576	64,851
Administration	50,449	41,458
	1,138,345	974,158
EXCESS OF REVENUES OVER EXPENDITURES	121,504	181,162

**Statement of Changes in Net Assets
For the Year Ended August 31, 2020**

	Unrestricted \$	2020 \$	2019 \$
NET ASSETS - BEGINNING OF YEAR	547,930	547,930	366,768
Excess of revenues over expenditures	121,504	121,504	181,162
NET ASSETS - END OF YEAR (Note 13)	669,434	669,434	547,930

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

Statement of Cash Flow

For the Year Ended August 31, 2020

	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenditures	121,504	181,162
Items not affecting cash:		
Amortization of capital assets	28,113	23,655
Amortization of deferred capital contributions	(25,448)	(22,655)
	<u>124,169</u>	<u>182,162</u>
Changes in non-cash working capital:		
Accounts receivable	26,392	(235,931)
Prepaid expenses	(2,888)	(1,275)
Accounts payable and accrued liabilities	(1,923)	(1,921)
Government remittances payable	20,960	(1,682)
Deferred revenue	81,927	(110,343)
	<u>124,468</u>	<u>(351,152)</u>
Cash flow from (used by) operating activities	<u>248,637</u>	<u>(168,990)</u>
FINANCING ACTIVITY		
Deferred capital contributions received	<u>10,034</u>	<u>17,746</u>
INVESTING ACTIVITY		
Purchase of capital assets	<u>(43,079)</u>	<u>(17,746)</u>
INCREASE (DECREASE) IN CASH FLOW	215,592	(168,990)
Cash - beginning of year	<u>333,964</u>	<u>502,954</u>
CASH - END OF YEAR	<u>549,556</u>	<u>333,964</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, 2020**

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 First Nations 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.

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, 2020**

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 spend 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
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**Notes to Financial Statements
For the Year Ended August 31, 2020**

3. ACCOUNTS RECEIVABLE

	2020 \$	2019 \$
Government grants receivable	220,406	338,940
Fee for service receivable	210,200	-
HST rebate receivable	14,319	14,721
Other receivable	7,345	125,000
	452,270	478,661

4. CAPITAL ASSETS

	Cost \$	Accumulated amortization \$	2020 Net book value \$	2019 Net book value \$
Computer	25,376	12,751	12,625	10,012
Equipment	82,485	56,038	26,447	41,193
Motor vehicle	29,977	17,130	12,847	17,130
Office furniture/equipment	8,450	845	7,605	-
Leasehold improvements	24,595	820	23,775	-
	170,883	87,584	83,299	68,335

5. DEFERRED REVENUE

	2020 \$	2019 \$
Fee for service	131,065	-
Government grants	109,276	150,281
Foundations	32,204	27,296
Corporate donors	6,919	19,960
	279,464	197,537
	279,464	197,537

Deferred revenues represent funds received to be used 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, 2020**

6. DEFERRED CAPITAL CONTRIBUTIONS

	2020	2019
	\$	\$
Balance, beginning of year	66,875	71,784
Contributions received during the year	10,034	17,746
Amortization of deferred capital contributions	(25,448)	(22,655)
Balance, end of year	<u>51,461</u>	<u>66,875</u>

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

7. 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:

	2020	2019
	\$	\$
Drinking water		
Implementation and oversight	43,883	22,715
Professional fees	44,486	10,087
Salaries and wages	159,830	103,727
	<u>248,199</u>	<u>136,529</u>
Environmental water		
Implementation and oversight	-	3,873
Professional fees	25,174	91,043
Salaries and wages	47,368	138,582
	<u>72,542</u>	<u>233,498</u>
Indigenous schools water programs		
Implementation and oversight	12,231	8,826
Salaries and wages	49,766	89,778
	<u>61,997</u>	<u>98,604</u>

8. NASKAPI FIRST NATION PROGRAM

Subsequent to year end the funding agreement with Her Majesty the Queen in Right of Canada related to The Community Based Fish Habitat Restoration & Education Project was amended with changes to the funding to be received and the length of the program. This program was originally scheduled to conclude in March of 2021. With this amendment the program will now conclude in 2023. The Organization will continue to recognize revenue when the related expenditures are incurred.

**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, 2020**

9. BIMOSE TRIBAL COUNCIL - ASSET PURCHASES

Included in Fee for service revenue is the net amount of funds received for capital asset purchases on behalf of the Tribal Council and the cost of the assets used as part of the program. Amounts are as follows:

Funds received for the purchase of capital assets	122,022
Cost of capital assets purchased	<u>(122,022)</u>
Net revenue	<u>-</u>

The statement of operations presents these amounts net due to the Organization acting as an agent in acquiring these assets.

The Organization was paid an administration fee of \$7,321 in order to make these purchases. This amount is included in Fee for service revenue.

10. LEASE COMMITMENTS

The Organization leases premises under a long term lease that expires on June 30, 2023. Under the lease, the Organization is 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:

	\$
2021	17,600
2022	18,600
2023	<u>15,500</u>
	<u>51,700</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 is 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:

	\$
2021	17,000
2022	18,000
2023	<u>15,000</u>
	<u>50,000</u>

11. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

**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, 2020**

12. 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 year, the Company applied for a wage subsidy known as the Temporary Wage Subsidy, funded by the Government of Canada. As of August 31, 2020 the Company has accrued \$3,989 in assistance from the TWS. The Temporary Wage Subsidy is a three-month program which allows eligible employers to reduce the amount of payroll deductions required to be remitted to the Canada Revenue Agency. For periods subsequent to June 19, 2020 the Temporary Wage Subsidy was replaced by the Canada Emergency Wage Subsidy (CEWS). Included in government remittances payable is \$15,674 of source deductions repayable due to corrections made to applications subsequent to year end.

During the 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 is entitled to receive a subsidy for employee's wages – up to a calculated, maximum amount per week. At the date of these financial statements, Government of Canada has committed to extend the CEWS until March 2021. As of August 31, 2020 the Company has accrued \$179,922 in assistance from the CEWS. At the date of these financial statements, the Company has received \$203,717 in assistance from the CEWS.

13. SUBSEQUENT EVENTS

1. 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. The Organization's ability to continue to service debt and meet other obligations as they come due is dependent on the continued ability to generate cash flows.

2. On February 10, 2021 the Board of Directors approved the creation of an internally restricted fund to be used for a Drinking Water Internship program. The Board of Directors also approved a fund transfer of \$400,000 from the Unrestricted Fund to the new Drinking Water Internship Fund.

14. 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, 2020.

(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.

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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, 2020**

14. FINANCIAL INSTRUMENT RISK *(continued)*

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.
