

Lifewater Canada
Financial Statements
For the year ended June 30, 2023

	Contents
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	5
Statement of Operations and Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8

Independent Auditor's Report

To the Members of Lifewater Canada

Qualified Opinion

We have audited the accompanying financial statements of Lifewater Canada (the Charity), which comprise the statement of financial position as at June 30, 2023, and the statements of operations, changes in net assets and cash flows 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 Charity as at June 30, 2023, and its results of operations and its cash flows 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 Charity derives revenue from donations and 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 Charity. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenues over expenditure, and cash flows from operations for the years ended June 30, 2023 and 2022, current assets as at June 30, 2023 and 2022, and net assets as at July 1 and June 30 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended June 30, 2022 was modified accordingly because of the possible effects of this limitation in 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 Charity 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 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 these 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 Charity'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 Charity or to cease operations, or has no realistic alternative but to do so.

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

Independent Auditor's Report (cont'd)

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 Charity'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 Charity'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 Charity 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.

Independent Auditor's Report (cont'd)

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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario
August 31, 2023

Lifewater Canada Statement of Financial Position

June 30	2023	2022
Assets		
Current		
Cash (Note 2)	\$ 312,692	\$ 945,384
Short term investments (Note 3)	508,219	-
	\$ 820,911	\$ 945,384
Liabilities and Net Assets		
Net assets	\$ 820,911	945,384
	\$ 820,911	\$ 945,384

On behalf of the Board:

_____ Director

_____ Director

Lifewater Canada

Statement of Operations and Net Assets

For the year ended June 30	2023	2022
Revenue		
Donations		
Individual	\$ 1,834,170	\$ 1,894,351
Corporate	156,457	227,367
Foundations	514,692	364,389
Civic groups and other charities	335,200	302,700
Gifts in kind	19,479	14,664
International	67,329	64,419
Interest income	14,836	-
Foreign exchange gain	8,482	1,460
	<u>2,950,645</u>	<u>2,869,350</u>
Expenditure		
Administrative expenses	40,951	55,315
Fundraising	27,216	23,767
Health and hygiene	77,233	103,870
Infrastructure improvements	404,640	523,188
Tank catchment systems	141,684	498,535
Pump repair program	302,956	152,843
Sanitation	104,661	74,424
Training and education	59,300	24,647
Disaster relief	-	130,485
Wages and benefits	172,809	52,989
Well construction	1,334,198	1,276,168
Well rehabilitation	409,470	338,598
	<u>3,075,118</u>	<u>3,254,829</u>
Deficiency of revenue over expenditure for the year	(124,473)	(385,479)
Net assets, beginning of year	945,384	1,330,863
Net assets, end of year	\$ 820,911	\$ 945,384

The accompanying notes are an integral part of these financial statements.

Lifewater Canada Statement of Cash Flows

For the year ended June 30	2023	2022
Cash flows from operating activities		
Deficiency of revenue over expenditure for the year	\$ (124,473)	\$ (385,479)
Cash flows from investing activities		
Purchase of short term investments	(508,219)	-
Decrease in cash for the year	(632,692)	(385,479)
Cash, beginning of year	945,384	1,330,863
Cash, end of year	\$ 312,692	\$ 945,384

The accompanying notes are an integral part of these financial statements.

Lifewater Canada

Notes to Financial Statements

June 30, 2023

1. Significant Accounting Policies

The following is a summary of significant accounting policies of the Organization:

a) Basis of Accounting

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations. These standards use the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

b) Nature and Purpose of Organization

Lifewater Canada is a non-profit organization incorporated under the Canada Not-for-Profit Corporations Act without share capital. The Organization is a registered charity under the Income Tax Act and is exempt from income taxes. The Organization's mission is to train and equip people in Sub-Saharan Africa and Haiti to provide safe drinking water and improve sanitation. Lifewater Canada arranges water and sanitation project sponsorship which saves children's lives and increases educational opportunities for women and young girls.

c) Revenue Recognition

Lifewater Canada recognizes revenue from donations as received. Restricted contributions are recognized as revenue in the year in which the related expenditures 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. Gifts in kind are recognized in revenue at the date the donor provides substantiation of the donation and the fair value can be reasonably determined.

d) Cash and Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and cash balances held in investment accounts.

e) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, any equities traded in an active market are reported at fair value, with any unrealized gains or losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Lifewater Canada Notes to Financial Statements

June 30, 2023

1. Significant Accounting Policies (cont'd)

f) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Significant estimates in these financial statements include accounts payable and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

g) Contributed Materials and Services

Contributed materials and services, which are used in the normal course of operations and would otherwise been purchased, are recorded at their fair market value at the date of contribution if fair value can be reasonably estimated.

h) Foreign Currency Translation

Foreign currency transactions are translated at the rates of exchange in effect at the dates of the transactions. Resulting foreign currency denominated monetary assets and liabilities are translated at the rates of exchange in effect at the statement of financial position date. Gains and losses on translation of monetary assets and liabilities are included in net income.

2. Cash

	2023	2022
Canadian dollar bank accounts	\$ 229,565	\$ 901,842
US dollar bank accounts (expressed in Canadian dollars)	80,693	41,109
Canadian dollar investment bank account	2,433	2,433
	\$ 312,691	\$ 945,384

3. Short Term Investments

	2023	2022
Term deposit, interest at 4%, maturing January 2024	\$ 508,219	\$ -
	\$ 508,219	\$ -

Lifewater Canada Notes to Financial Statements

June 30, 2023

4. Related Party Transactions

During the year, the Organization received donations and gifts in kind totaling \$48,879 (2022 - \$97,255) from directors, directors' spouses and corporations controlled by directors. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties).

5. Financial Instruments

Credit Risk

Credit risk is the risk that a counterparty will fail to discharge its obligations to the Organization reducing the expected cash flow from the Organization's assets recorded at the date of the statement of financial position. Credit risk can be concentrated in debtors that are similarly affected by economic or other conditions. It is the Board's opinion that the Organization is not exposed to significant concentrations of credit risk.

Lifewater Canada maintains all of its bank accounts with one financial institution and therefore all deposits are not covered by the Canadian Deposit Insurance Corporation (CDIC). The Organization is subject to credit risk on the excess deposits over CDIC coverage.

Interest Rate Risk

Lifewater Canada manages its portfolio investments based on its cash flow needs and with a view to optimizing its interest income. It is the Board's opinion that the Organization is not exposed to significant interest rate risk arising from its financial instruments.

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 accounts payable and accrued liabilities.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The majority of the Organization's expenses are paid through foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. The Organization is exposed to currency risk to the extent that the majority of its expenses are transacted in foreign currencies.

There have been no changes to the Organization's financial instrument risk exposure from the prior year.

Lifewater Canada Notes to Financial Statements

June 30, 2023

6. Uncertainty due to COVID-19

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. On March 18, 2020, the Government of Canada implemented restrictions that aimed to minimize any non-essential travel outside of Canada. Travel restrictions and supply issues altered the nature of the Organization's activities in the current year.

The pandemic and its impacts continue to persist beyond the June 30, 2023 year-end. The closures and government restrictions are expected to be temporary and fluid based on the spread of the virus. Given the dynamic nature of these circumstances and the duration of business disruptions, the related financial impact cannot be reasonably estimated at this time.