

ALBERTA WATER COUNCIL ASSOCIATION

Financial Statements

Year Ended December 31, 2014



INDEPENDENT AUDITOR'S REPORT

To the Directors of the Alberta Water Council Association

Report on the Financial Statements

We have audited the accompanying financial statements of the Alberta Water Council Association, which comprise the statement of financial position as at December 31, 2014 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Water Council Association as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters

The financial statements of the Alberta Water Council Association for the year ended December 31, 2013 were audited by another accounting firm who expressed an unmodified opinion on those statements on January 24, 2014.

Edmonton, Alberta
March 19, 2015

KBH
Chartered Accountants

ALBERTA WATER COUNCIL ASSOCIATION

Statement of Financial Position

December 31, 2014

	2014	2013
ASSETS		
CURRENT		
Cash and cash equivalents (Note 4)	\$ 565,941	\$ 713,795
Accounts receivable (Note 5)	12,252	25,095
Prepaid expenses	6,597	21,803
	<u>584,790</u>	<u>760,693</u>
TANGIBLE CAPITAL ASSETS (Note 6)	-	3,909
	<u>\$ 584,790</u>	<u>\$ 764,602</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 7)	\$ 19,929	\$ 32,959
Deferred contributions (Note 8)	564,361	731,143
	<u>584,290</u>	<u>764,102</u>
NET ASSETS		
Unrestricted net assets (deficit)	500	(3,409)
Invested in tangible capital assets	-	3,909
	<u>500</u>	<u>500</u>
	<u>\$ 584,790</u>	<u>\$ 764,602</u>

LEASE COMMITMENTS (Note 11)

APPROVED BY THE BOARD

_____ Director

_____ Director

ALBERTA WATER COUNCIL ASSOCIATION

Statement of Operations

Year Ended December 31, 2014

	2014	2013
REVENUE		
Grants (<i>Note 8</i>)	\$ 775,555	\$ 810,792
Symposium	138,183	-
Interest	7,230	8,715
Donations (<i>Note 8</i>)	500	500
Amortization of deferred contributions - tangible capital assets	-	2,379
	<u>921,468</u>	<u>822,386</u>
EXPENSES		
Salaries and wages	506,422	513,187
Symposium	121,246	22,885
Professional fees	83,001	84,445
Sub-contracts	64,421	24,470
Administration (<i>Schedule 1</i>)	49,338	50,787
Director and stakeholder support	45,846	70,856
Travel	21,102	23,528
Rental	10,310	10,333
Insurance	8,372	9,540
Training and conferences	5,514	600
Amortization	3,909	9,200
Advertising	1,987	2,555
	<u>921,468</u>	<u>822,386</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ -</u>	<u>\$ -</u>

ALBERTA WATER COUNCIL ASSOCIATION

Statement of Changes in Net Assets

Year Ended December 31, 2014

	Unrestricted Net Assets (Deficit)	Invested in Tangible Capital Assets	2014	2013
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	\$ (3,409)	\$ 3,909	\$ 500	\$ 500
Amortization of tangible capital assets	3,909	(3,909)	-	-
NET ASSETS - END OF YEAR	\$ 500	\$ -	\$ 500	\$ 500

ALBERTA WATER COUNCIL ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ -	\$ -
Items not affecting cash:		
Amortization of tangible capital assets	3,909	9,200
Amortization of deferred contributions - tangible capital assets	-	(2,379)
	<u>3,909</u>	<u>6,821</u>
Changes in non-cash working capital:		
Accounts receivable	12,843	(10,546)
Accounts payable and accrued liabilities	(13,030)	4,613
Deferred contributions	(166,782)	(528,291)
Prepaid expenses	15,206	(14,035)
	<u>(151,763)</u>	<u>(548,259)</u>
Cash flow used by operating activities	<u>(147,854)</u>	<u>(541,438)</u>
INVESTING ACTIVITY		
Purchase of tangible capital assets	-	(2,790)
	<u>-</u>	<u>(2,790)</u>
DECREASE IN CASH FLOW	(147,854)	(544,228)
Cash and cash equivalents - beginning of year	<u>713,795</u>	<u>1,258,023</u>
CASH AND CASH EQUIVALENTS - END OF YEAR <i>(Note 4)</i>	\$ 565,941	\$ 713,795

ALBERTA WATER COUNCIL ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2014

1. NATURE OF OPERATIONS

The Alberta Water Council Association (the "Association") is a multi-stakeholder partnership with Members from governments, industry and non-government organizations, all of whom have a vested interest in water. The Association was created in 2004 under Ministerial Order by Alberta's Minister of Environment and it was incorporated under the Societies Act of Alberta on September 21, 2007. The Association monitors implementation of the Water for Life strategy and champions achievement of the strategy's goals.

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.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments

The Association initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Association subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

The Association recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Cash and cash equivalents

Cash and cash equivalents consist of balances with the bank and guaranteed investment certificates with maturities of one year or less.

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ALBERTA WATER COUNCIL ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2014

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

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution. When a tangible capital asset no longer contributes to the Association's ability to provide services or the value of future economic benefits associated with the tangible capital is less than its net book value, the carrying value of the tangible capital asset is reduced to reflect the decline in the asset's value.

Tangible capital assets are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	3 years	straight-line method
Furniture and fixtures	5 years	straight-line method

The Association regularly reviews its tangible capital assets to eliminate obsolete items.

Revenue recognition

The Association follows the deferral method of accounting for contributions, which include donations and government grants. 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.

Restricted contributions for the purchase of tangible capital assets are deferred and amortized into revenue at the rate corresponding with the amortization rate for the related tangible capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred.

Revenue from all other sources is included in revenue in the year in which it is received or becomes receivable.

Contributed goods and services

The Association records the fair market value of contributed goods and services only in the circumstances when the fair market value is determinable and when the goods and services would otherwise be purchased by the Association.

3. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments. The following analysis provides information about the Association's risk exposure and concentration as of December 31, 2014.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its receipt of funds from the Government of Alberta (Environment) and other related sources and accounts payable and accrued liabilities.

The Association mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise.

ALBERTA WATER COUNCIL ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2014

4. CASH AND CASH EQUIVALENTS

	<u>2014</u>	<u>2013</u>
Operating accounts	\$ 65,941	\$ 208,795
Guaranteed investment certificates	500,000	505,000
	<u>\$ 565,941</u>	<u>\$ 713,795</u>

Guaranteed investment certificates bear interest at a fixed interest rate of 1.1% (2013 - 1.0%) and mature on May 6, 2015 (2013 - December 20, 2014). Cash in the amount of \$200,000 has been designated by the Association for winding down costs.

5. ACCOUNTS RECEIVABLE

	<u>2014</u>	<u>2013</u>
Goods and services tax recoverable	\$ 8,636	\$ 14,929
Interest receivable	3,616	166
Grants receivable	-	10,000
	<u>\$ 12,252</u>	<u>\$ 25,095</u>

6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	<u>2014 Net book value</u>	<u>2013 Net book value</u>
Computer equipment	\$ 62,000	\$ 62,000	\$ -	\$ 3,302
Furniture and fixtures	82,097	82,097	-	607
	<u>\$ 144,097</u>	<u>\$ 144,097</u>	<u>\$ -</u>	<u>\$ 3,909</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2014</u>	<u>2013</u>
Trade payables	\$ 11,583	\$ 17,377
Accrued vacation pay	8,346	15,582
	<u>\$ 19,929</u>	<u>\$ 32,959</u>

ALBERTA WATER COUNCIL ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2014

8. DEFERRED CONTRIBUTIONS

The purpose of core funding grants is to provide core funding in support of the Association's objectives as detailed in Note 1. The remaining grant funding is intended to continue the Association's operations from January 1, 2014 until March 31, 2015.

The Environment Grant Regulation, under which the grants have been provided, specifies that the grants must either be used for the purposes specified in the grant agreement, be used for different purposes if such different purposes are agreed to by the applicant and the respective Minister or be returned to the Province of Alberta. Accordingly, in the event the Association does not utilize the funds in pursuit of its objectives, any unexpended grant monies remaining may have to be repaid to the Province of Alberta. The changes in deferred contribution for the year are as follows:

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 731,143	\$ 1,259,435
Add:		
Government of Alberta (Environment) - core funding	600,000	250,000
Aquatic Invasive Species Project	24,000	22,500
Symposium	-	10,000
Lake Management Project	2,500	-
Annual dinner	500	500
	<u>1,358,143</u>	<u>1,542,435</u>
Less:		
Grant revenues recognized to cover expenses during the year	(775,555)	(810,792)
Sponsorship revenue recognized to cover expenses during the year	(10,000)	-
Unexpended grant monies repaid	(7,727)	-
Donation revenues recognized to cover expenses during the year	(500)	(500)
	<u>\$ 564,361</u>	<u>\$ 731,143</u>
Deferred contributions are comprised of the following:		
Government of Alberta (Environment) - core funding	\$ 560,861	\$ 682,049
Aquatic Invasive Species Project	-	22,500
Riparian Land Conservation Project	-	13,094
Symposium	-	10,000
Non-Point Source Pollution Project	3,500	3,500
	<u>\$ 564,361</u>	<u>\$ 731,143</u>

9. ECONOMIC DEPENDENCE

The Association's primary source of revenue is grant funding from the Government of Alberta. The Association's ability to continue viable operations is dependent on this funding.

ALBERTA WATER COUNCIL ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2014

10. TRANSACTIONS WITH THE GOVERNMENT OF ALBERTA

The Government of Alberta provides office space to the Association at no charge under the terms of a Letter of Understanding between the Government of Alberta and the Association. No amounts have been recognized in the financial statements as the amounts are not readily determinable.

11. LEASE COMMITMENTS

The Association is committed to an office equipment lease as follows:

2015	\$	5,920
2016		4,107
2017		4,107
2018		4,107
2019		2,054

12. COMPARATIVE FIGURES

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

ALBERTA WATER COUNCIL ASSOCIATION

Schedule of Administrative Expenses

(Schedule 1)

Year Ended December 31, 2014

	2014	2013
Printing and design	\$ 18,335	\$ 18,908
Information technology	11,634	12,615
Photocopiers	6,491	10,325
Telephone	5,422	3,963
Books, subscriptions and reference materials	2,114	314
Internet	2,069	1,260
Supplies	1,788	1,456
Bank fees	688	776
Other	442	451
Software	355	614
Postage	-	105
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	\$ 49,338	\$ 50,787
