

ALBERTA WATER COUNCIL ASSOCIATION
Financial Statements
For The Year Ended December 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Directors of Alberta Water Council Association

Opinion

We have audited the financial statements of Alberta Water Council Association (the Association), which comprise the statement of financial position as at December 31, 2018, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2018, 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.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association 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 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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:

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Independent Auditors' Report to the Directors of Alberta Water Council Association *(continued)*

- 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 Association'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 Association'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 Association 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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
March 4, 2019

ALBERTA WATER COUNCIL ASSOCIATION
Statement of Financial Position
As at December 31, 2018

| | 2018 | 2017 |
|--|-------------------|-------------------|
| ASSETS | | |
| CURRENT | | |
| Cash and cash equivalents (Note 2) | \$ 501,386 | \$ 936,938 |
| Accounts receivable (Note 3) | 7,678 | 39,346 |
| Prepaid expenses | 5,984 | 6,002 |
| | <u>515,048</u> | <u>982,286</u> |
| TANGIBLE CAPITAL ASSETS (Note 4) | <u>7,065</u> | <u>9,104</u> |
| | <u>\$ 522,113</u> | <u>\$ 991,390</u> |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities (Note 5) | \$ 33,437 | \$ 23,691 |
| Deferred contributions (Note 6) | 481,111 | 958,095 |
| | <u>514,548</u> | <u>981,786</u> |
| DEFERRED CONTRIBUTIONS - TANGIBLE CAPITAL ASSETS (Note 7) | <u>7,065</u> | <u>9,104</u> |
| | <u>521,613</u> | <u>990,890</u> |
| NET ASSETS | | |
| Unrestricted net assets | <u>500</u> | <u>500</u> |
| | <u>\$ 522,113</u> | <u>\$ 991,390</u> |

ON BEHALF OF THE BOARD:

_____ Director
 _____ Director

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

ALBERTA WATER COUNCIL ASSOCIATION
Statement of Operations
For The Year Ended December 31, 2018

| | 2018 | 2017 |
|--|----------------|----------------|
| REVENUE | | |
| Grants <i>(Note 6)</i> | \$ 476,984 | \$ 412,384 |
| Interest | 7,313 | 5,531 |
| Donations | 3,000 | 500 |
| Amortization of deferred contributions - tangible capital assets <i>(Note 7)</i> | 2,039 | 2,039 |
| Other | - | 832 |
| | 489,336 | 421,286 |
| EXPENSES | | |
| Salaries and wages | 285,380 | 243,607 |
| Professional fees | 54,923 | 49,429 |
| Director and stakeholder support | 43,381 | 16,218 |
| Sub-contracts | 42,730 | 12,188 |
| Administration <i>(Schedule 1)</i> | 33,949 | 77,405 |
| Travel | 10,525 | 2,979 |
| Insurance | 7,619 | 8,002 |
| Rental | 6,888 | 8,230 |
| Amortization | 2,039 | 2,519 |
| Training and conferences | 1,882 | 709 |
| Advertising | 20 | - |
| | 489,336 | 421,286 |
| EXCESS OF REVENUE OVER EXPENSES | \$ - | \$ - |

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

ALBERTA WATER COUNCIL ASSOCIATION
Statement of Changes in Net Assets
For The Year Ended December 31, 2018

| | Unrestricted | | Invested in | | | | | |
|---------------------------------------|--------------|-----|----------------|---|------|-----|----|-----|
| | Net Assets | | Tangible | | | | | |
| | | | Capital Assets | | | | | |
| | | | | | 2018 | | | |
| | | | | | 2017 | | | |
| NET ASSETS - BEGINNING OF YEAR | \$ | 500 | \$ | - | \$ | 500 | \$ | 500 |
| Excess of Revenue Over Expenses | | - | | - | | - | | - |
| NET ASSETS - END OF YEAR | \$ | 500 | \$ | - | \$ | 500 | \$ | 500 |

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

ALBERTA WATER COUNCIL ASSOCIATION
Statement of Cash Flows
For The Year Ended December 31, 2018

| | 2018 | 2017 |
|--|--------------------------|--------------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenses | \$ - | \$ - |
| Items not affecting cash: | | |
| Amortization of tangible capital assets | 2,039 | 2,519 |
| Amortization of deferred contributions - tangible capital assets | <u>(2,039)</u> | <u>(2,039)</u> |
| | - | 480 |
| Changes in non-cash working capital: | | |
| Accounts receivable | 31,668 | (36,012) |
| Accounts payable and accrued liabilities | 9,746 | 12,375 |
| Deferred contributions | (476,984) | 326,474 |
| Prepaid expenses | 18 | 350 |
| Deferred contributions - tangible capital assets | - | 11,143 |
| | <u>(435,552)</u> | <u>314,330</u> |
| | <u>(435,552)</u> | <u>314,810</u> |
| INVESTING ACTIVITY | | |
| Purchase of tangible capital assets | - | (11,143) |
| INCREASE (DECREASE) IN CASH FLOWS | (435,552) | 303,667 |
| Cash and cash equivalents - beginning of year | <u>936,938</u> | <u>633,271</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR (Note 2) | <u>\$ 501,386</u> | <u>\$ 936,938</u> |

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

ALBERTA WATER COUNCIL ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue Recognition

The Association follows the deferral method of accounting for contributions, which include donations and government grants. Restricted contributions are recognized as revenue during 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 a 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.

Cash and Cash Equivalents

Cash and cash equivalents include items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have a maturity of one year or less at acquisition.

Tangible Capital Assets

Tangible capital assets are recorded 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 asset 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 - 6 years | straight-line method |
| Furniture and fixtures | 5 years | straight-line method |

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

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ALBERTA WATER COUNCIL ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Measurement of financial instruments

The Association 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 instruments.

The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

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.

The Association has no financial assets measured at fair value.

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.

Measurement Uncertainty

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 recorded 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 during the reporting period. Significant areas requiring the use of management's estimates include the useful lives of tangible capital assets and the corresponding rates of amortization and the amount of accrued liabilities. All estimates are reviewed periodically and adjustments are made to the statements of operations as appropriate in the year they become known.

2. CASH AND CASH EQUIVALENTS

| | 2018 | 2017 |
|------------------------------------|-------------------|-------------------|
| Operating accounts | \$ 101,386 | \$ 36,938 |
| Guaranteed Investment Certificates | 400,000 | 900,000 |
| | \$ 501,386 | \$ 936,938 |

Guaranteed Investment Certificates bear interest at a fixed interest rate of 1.60% and mature on November 9, 2019. Cash in the amount of \$200,000 has been designated by the Association for winding down costs.

ALBERTA WATER COUNCIL ASSOCIATION
Notes to Financial Statements
Year Ended December 31, 2018

3. ACCOUNTS RECEIVABLE

| | <u>2018</u> | <u>2017</u> |
|--|-----------------|------------------|
| Goods and Services Tax recoverable | \$ 6,766 | \$ 2,060 |
| Interest receivable | 912 | 1,332 |
| The Clean Air Strategic Alliance costs sharing | - | 35,954 |
| | <u>\$ 7,678</u> | <u>\$ 39,346</u> |

4. TANGIBLE CAPITAL ASSETS

| | Cost | Accumulated amortization | 2018 Net book value | 2017 Net book value |
|------------------------|-------------------|-----------------------------|---------------------------|---------------------------|
| Computer equipment | \$ 69,122 | \$ 65,334 | \$ 3,788 | \$ 4,735 |
| Furniture and fixtures | 87,558 | 84,281 | 3,277 | 4,369 |
| | <u>\$ 156,680</u> | <u>\$ 149,615</u> | <u>\$ 7,065</u> | <u>\$ 9,104</u> |

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|
| Trade | \$ 20,127 | \$ 17,331 |
| Accrued vacation pay | 6,496 | 6,360 |
| The Clean Air Strategic Alliance Association | 6,814 | - |
| | <u>\$ 33,437</u> | <u>\$ 23,691</u> |

ALBERTA WATER COUNCIL ASSOCIATION**Notes to Financial Statements****Year Ended December 31, 2018****6. DEFERRED CONTRIBUTIONS**

The purpose of core funding grants is to provide core funding in support of the Association's objectives as detailed in Nature of Operations.

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 contributions for the year are as follows:

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|
| Balance, Beginning of Year | \$ 958,095 | \$ 631,622 |
| Add: | | |
| Government of Alberta (Environment) - core funding | - | 750,000 |
| Less: | | |
| Grant revenue recognized to cover expenses during the year | (476,984) | (412,384) |
| Deferred contributions - tangible capital assets (Note 7) | - | (11,143) |
| | <u>\$ 481,111</u> | <u>\$ 958,095</u> |

Deferred contributions are comprised of the following:

| | | |
|--|-------------------|-------------------|
| Government of Alberta (Environment) - core funding | \$ 478,888 | \$ 930,872 |
| Water Literacy Project | 2,223 | 2,223 |
| Water Protection Project | - | 25,000 |
| | <u>\$ 481,111</u> | <u>\$ 958,095</u> |

7. DEFERRED CONTRIBUTIONS - TANGIBLE CAPITAL ASSETS

| | <u>2018</u> | <u>2017</u> |
|--|-----------------|-----------------|
| Balance, Beginning of Year | \$ 9,104 | \$ - |
| Government of Alberta (Environment) (Note 6) | - | 11,143 |
| Amortization of deferred contributions - tangible capital assets | (2,039) | (2,039) |
| Balance, End of Year | <u>\$ 7,065</u> | <u>\$ 9,104</u> |

8. ECONOMIC DEPENDENCE

The Association's primary source of revenue is grant funding from the Alberta Government. 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, 2018

9. TRANSACTIONS WITH THE GOVERNMENT OF ALBERTA

The Government of Alberta provides office space to the Association at no charge under the terms 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.

10. FINANCIAL INSTRUMENTS

The Association is not exposed to significant interest, credit, market, currency or other price risk through its financial instruments. The following analysis provides information about the Association's risk exposure and concentration as of December 31, 2018.

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
Schedule of Administration Expenses
For The Year Ended December 31, 2018

(Schedule 1)

| | 2018 | 2017 |
|---|------------------|------------------|
| Information technology | \$ 16,456 | \$ 21,859 |
| Printing and copying | 5,029 | 30,048 |
| Telephone | 3,576 | 4,853 |
| Supplies | 3,448 | 10,520 |
| Photocopiers | 2,720 | 4,562 |
| Bank charges | 652 | 649 |
| Internet | 650 | 1,411 |
| Team building | 645 | 704 |
| Hospitality | 455 | 240 |
| Software | 236 | - |
| Books, subscriptions, and reference materials | 68 | 746 |
| Office | 14 | 1,309 |
| Administration | - | 464 |
| Books, subscriptions, refrence | - | 39 |
| | \$ 33,949 | \$ 77,404 |

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