ALBERTA WATER COUNCIL ASSOCIATION

Financial Statements

Year Ended December 31, 2016

K·B·H
CHARTERED
ACCOUNTANTS

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, 2016 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, 2016 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.

KBH

Edmonton, Alberta
March 16, 2017

Chartered Accountants

ALBERTA WATER COUNCIL ASSOCIATION

Statement of Financial Position

December 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash and cash equivalents *(Note 4)*	**$ 633,271**	$ 750,461
Accounts receivable *(Note 5)*	**3,334**	7,989
Prepaid expenses	**6,352**	6,373
	642,957	764,823
TANGIBLE CAPITAL ASSETS *(Note 6)*	**479**	959
	$ 643,436	$ 765,782
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities *(Note 7)*	**$ 11,314**	$ 18,935
Deferred contributions *(Note 8)*	**631,622**	746,347
	642,936	765,282
NET ASSETS		
Unrestricted net assets (deficit)	**21**	(459)
Invested in tangible capital assets	**479**	959
	500	500
	$ 643,436	$ 765,782

LEASE COMMITMENT *(Note 11)*

APPROVED BY THE BOARD

______________________________ *Director*

______________________________ *Director*

ALBERTA WATER COUNCIL ASSOCIATION

Statement of Operations

Year Ended December 31, 2016

	2016	2015
REVENUE		
Grants *(Note 8)*	$ 593,025	$ 720,514
Interest	3,255	3,550
Donations *(Note 8)*	500	1,000
	596,780	725,064
EXPENSES		
Salaries and wages	391,427	462,837
Professional fees	52,995	59,471
Administration *(Schedule 1)*	49,402	40,217
Director and stakeholder support	41,074	69,826
Sub-contracts	27,972	59,296
Rental	10,332	10,332
Insurance	8,085	8,369
Training and conferences	7,981	5,016
Travel	7,032	9,220
Amortization	480	480
	596,780	725,064
EXCESS OF REVENUE OVER EXPENSES	$ -	$ -

ALBERTA WATER COUNCIL ASSOCIATION

Statement of Changes in Net Assets

Year Ended December 31, 2016

	Unrestricted Net Assets (Deficit)	Invested in Tangible Capital Assets	**2016**	2015
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	$ (459)	$ 959	**$ 500**	$ 500
Amortization of tangible capital assets	480	(480)	**-**	-
NET ASSETS - END OF YEAR	$ 21	$ 479	**$ 500**	$ 500

ALBERTA WATER COUNCIL ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess of revenue over expenses	**$ -**	$ -
Item not affecting cash:		
Amortization of tangible capital assets	**480**	480
	480	480
Changes in non-cash working capital:		
Accounts receivable	**4,655**	4,263
Accounts payable and accrued liabilities	**(7,621)**	(993)
Deferred contributions	**(114,725)**	181,986
Prepaid expenses	**21**	224
	(117,670)	185,480
Cash flow from (used by) operating activities	**(117,190)**	185,960
INVESTING ACTIVITY		
Purchase of tangible capital assets	**-**	(1,440)
INCREASE (DECREASE) IN CASH FLOW	**(117,190)**	184,520
Cash and cash equivalents - beginning of year	**750,461**	565,941
CASH AND CASH EQUIVALENTS - END OF YEAR *(Note 4)*	**$ 633,271**	$ 750,461

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

Measurement

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 operations. 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 operations.

Transaction costs

The Association recognizes its transaction costs in operations 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.

(continues)

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, 2016.

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.

4. CASH AND CASH EQUIVALENTS

	2016	2015
Operating accounts	$ 53,650	$ 47,161
Guaranteed investment certificates	579,621	703,300
	$ 633,271	$ 750,461

Guaranteed investment certificates bear interest at a fixed interest rate of 0.50% (2015 - 0.65% and 0.50%) and mature on May 6, 2017 and June 28, 2017 (2015 - May 6, 2016 and September 9, 2016). Cash in the amount of $200,000 has been designated by the Association for winding down costs.

5. ACCOUNTS RECEIVABLE

	2016	2015
Goods and services tax recoverable	$ 1,785	$ 5,599
Interest receivable	1,549	1,640
Other	-	750
	$ 3,334	$ 7,989

6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net book value
Computer equipment	$ 63,439	$ 62,960	$ 479
Furniture and fixtures	82,097	82,097	-
	$ 145,536	$ 145,057	$ 479

	Cost	Accumulated amortization	2015 Net book value
Computer equipment	$ 63,439	$ 62,480	$ 959
Furniture and fixtures	82,097	82,097	-
	$ 145,536	$ 144,577	$ 959

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Trade payables	$ 9,284	$ 9,011
Accrued vacation pay	2,030	9,924
	$ 11,314	$ 18,935

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, 2016 until March 31, 2017.

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:

	2016	2015
Balance at beginning of year	**$ 746,347**	$ 564,361
Add:		
Government of Alberta (Environment) - core funding	**475,000**	845,000
Annual dinner	**500**	250
Canada - Alberta Job Grant	**3,300**	-
Lake Management Project	**-**	2,500
Business Writing Workshop	**-**	750
Water Literacy Project	**-**	30,000
Water Protection Project	**-**	25,000
	1,225,147	1,467,861
Less:		
Grant revenues recognized to cover expenses during the year	**(593,025)**	(720,514)
Donation revenues recognized to cover expenses during the year	**(500)**	(1,000)
	$ 631,622	$ 746,347

Deferred contributions are comprised of the following:		
Government of Alberta (Environment) - core funding	**$ 604,399**	$ 719,124
Water Literacy Project	**2,223**	2,223
Water Protection Project	**25,000**	25,000
	$ 631,622	$ 746,347

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.

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 COMMITMENT

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

2017	$	4,107
2018		4,107
2019		2,054

ALBERTA WATER COUNCIL ASSOCIATION

Schedule of Administrative Expenses *(Schedule 1)*

Year Ended December 31, 2016

	2016	2015
Printing and design	**$ 20,590**	$ 5,302
Information technology	**13,075**	11,967
Telephone	**5,752**	7,826
Photocopiers	**4,553**	7,573
Internet	**1,228**	1,115
Other	**1,228**	967
Supplies	**1,127**	1,417
Books, subscriptions and reference materials	**789**	2,867
Bank fees	**753**	629
Software	**307**	554
	$ 49,402	$ 40,217