

AquaAction
(formerly operating under Aquaforum)

Financial Statements
December 31, 2021

AquaAction **(formerly operating under Aquaforum)**

Financial Statements
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RICHTER

Independent Auditor's Report

To the Board of Directors of
AquaAction

Opinion

We have audited the financial statements of AquaAction (formerly operating under Aquaforum) (the Foundation), which comprise the statement of financial position as at December 31, 2021, and the statements of operations and changes in net assets (deficiency) 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 Foundation as at December 31, 2021, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation 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 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

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.

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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 Foundation'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 Foundation'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 Foundation 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.

 Richter LLP¹

Montréal, Quebec
June 9, 2022

¹CPA auditor, public accountancy permit No. A110167

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Statement of Financial Position
As at December 31, 2021

	2021 \$	2020 \$
Assets		
Current		
Cash	388,797	376,531
Accounts receivable (note 4)	114,651	68,116
Prepaid expenses	6,599	22,129
	510,047	466,776
Property and equipment (note 5)	569	3,048
	510,616	469,824
Liabilities		
Current		
Accounts payable and accrued liabilities	82,623	227,838
Deferred contributions (note 6)	382,919	239,222
	465,542	467,060
Long-term debt (note 7)	60,000	40,000
	525,542	507,060
Commitment (note 8)		
Net assets deficiency		
Unrestricted	(14,926)	(37,236)
	510,616	469,824

See accompanying notes

Approved on behalf of the board

_____, Director

_____, Director

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Statement of Operations and Changes in Net Assets (Deficiency)
For the Year Ended December 31, 2021

	2021	2020
	\$	\$
Revenues		
Donations	485,000	363,333
Donations - individuals	20	1,845
Government donations	64,081	-
Sponsorship from foundations and other donations	500,103	767,312
Other revenue (note 9)	450	153,126
	1,049,654	1,285,616
Expenses		
Event related expenses	360,756	443,904
Business development and partnership	263,262	378,491
Communication plan	210,911	300,760
Administrative and other expenses	192,415	217,890
	1,027,344	1,341,045
Excess (deficiency) of revenues over expenses	22,310	(55,429)
Net assets (deficiency) - beginning of year	(37,236)	18,193
Deficiency in net assets - end of year	(14,926)	(37,236)

See accompanying notes

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Statement of Cash Flows
For the Year Ended December 31, 2021

	2021 \$	2020 \$
Operating activities		
Excess (deficiency) of revenues over expenses	22,310	(55,429)
Amortization of property and equipment	2,479	2,479
Amortization of deferred contributions	(411,303)	(513,800)
	(386,514)	(566,750)
Net change in non-cash working capital items	(176,220)	533,403
	(562,734)	(33,347)
Investing activity		
Acquisition of property and equipment	-	(1,498)
Financing activities		
Restricted contributions received	555,000	239,222
Increase in long-term debt	20,000	40,000
	575,000	279,222
Increase in cash	12,266	244,377
Cash - beginning of year	376,531	132,154
Cash - end of year	388,797	376,531

See accompanying notes

AquaAction (formerly operating under Aquaforum)

Notes to Financial Statements December 31, 2021

1. Nature of business

The Foundation is incorporated as a not-for-profit organization under the Canada Not-for-profit Corporation Act on December 10, 2015.

The purpose of the Foundation is to conserve the Great Lakes and St. Lawrence Basin and to foster the quality and responsible use of its water.

The Foundation is a registered charity under the Income Tax Act and is exempt from income taxes.

2. Change in accounting policy

The Foundation adopted the amendments to Financial Instruments, Section 3856, relating to the recognition of financial instruments originated or exchanged in a related party transaction.

Under these new requirements, such a financial instrument is initially measured at cost, which is determined depending on whether the instrument has repayment terms:

- the cost of a financial instrument that has repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses.; and
- no consideration is received by the Foundation

Subsequent measurement is based on how the instrument was initially measured. In general, a financial instrument is subsequently measured at cost, less any reduction for impairment, or at fair value.

According to the transition provisions, such financial instruments that exist at the date; these amendments are applied for the first time, i.e., January 1, 2021, are measured as follows. The cost of an instrument that has repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment as at the beginning of the earliest comparative period, i.e., January 1, 2020. The cost of an instrument that does not have repayment terms is deemed to be its carrying amount in the Foundation's financial statements, less any impairment, as at the same date. The fair value of an instrument that is an investment in shares quoted in an active market is determined as at the same date.

The adoption of these new requirements had no impact on the Foundation's financial statements.

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Notes to Financial Statements December 31, 2021

3. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

The Foundation also applies the Canadian accounting standards for private enterprises to the extent that these standards address topics not addressed in Canadian accounting standards for not-for-profit organizations.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions.

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.

Sponsorship and government partnership are recognized as revenue over the term of the agreement when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Property and equipment

Property and equipment are recorded at cost. Amortization is provided on a declining balance method at the following annual rate:

	Rate
Computers and equipment	33%

Long-lived assets

The Foundation tests long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is assessed by comparing the carrying amount to the estimated undiscounted future net cash flows the long-lived assets are expected to generate, through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

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Notes to Financial Statements

December 31, 2021

3. Significant accounting policies (continued)

Government assistance

Government assistance related to current expenses, in particular those related to salaries, are accounted for using the cost reduction approach whereby the subsidies are credited to the related expenses when the related expenditures are incurred, provided there is reasonable assurance that the Foundation has compiled and will continue to comply with all the conditions.

Subsidies received by the government of Canada under the Canada Emergency Wage Subsidy ("CEWS") amount to approximately \$13,339 (2020 - \$129,975) and have been applied against the related salaries and benefits.

Financial instruments

Except for retractable or mandatorily redeemable shares, as specified below, the Foundation initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Foundation is in the capacity of management, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the Foundation in the transaction.

Except for retractable or mandatorily redeemable shares, as specified below, the Foundation subsequently measures all its financial assets and liabilities at cost or amortized cost.

Transaction costs related to financial instruments subsequently measured at fair value or to those originated or exchanged in a related party transaction are recognized in income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, the transaction costs are then recognized in income over the life of the instrument using the straight-line method or effective interest method.

Financial assets subsequently measured at cost or amortized cost are tested for impairment when there are indicators of possible impairment. Any impairment loss is recognized in net earnings. The previously recognized impairment loss may subsequently be reversed to a maximum of the cost or amortized cost that would have been reported at the date of the reversal had the impairment not been recognized previously.

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4. Accounts receivable

	2021 \$	2020 \$
Donations receivable	95,921	23,477
Government remittances	18,730	29,395
Subsidy receivable	-	15,244
	114,651	68,116

5. Property and equipment

	Cost \$	Accumulated amortization \$	2021 Net book value \$	2020 Net book value \$
Computers and equipment	7,511	6,942	569	3,048

The amortization expense for the year was \$2,479 (2020 - \$2,479).

6. Deferred contributions

Deferred contributions relate to restricted donations received in the current year to cover expenses for future years. Changes in deferred contributions are as follows:

	2021 \$	2020 \$
Balance - beginning of year	239,222	513,800
Recognized as revenue in the year	(411,303)	(696,578)
Received in the year	555,000	422,000
Balance - end of year	382,919	239,222

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7. Long-term debt

	2021 \$	2020 \$
Term loan of \$60,000 granted under the Canada Emergency Business Account program (CEBA), non-interest bearing for the initial term ending December 31, 2023. As of January 1, 2024, the loan will bear interest at a fixed rate of 5% per annum. If the Foundation repays 66% of the original value of the loan by December 31, 2023, it will result in a loan forgiveness for the remaining portion of the loan	60,000	40,000

8. Commitment

The commitment of the Foundation under lease agreements aggregate to \$30,000. The minimum annual payments are approximately as follows:

	\$
2022	30,000

9. Other revenue

Other revenue represents government remittances that were expensed by the Foundation in prior years and have been reclaimed from the government.

10. Related party transactions

During the year, De Gaspé Beaubien Foundation, a foundation controlled by some board members of Aquaforum, made donations in the amount of \$550,000 (2020 - \$368,333) to Aquaforum, of which \$70,000 is included in deferred contributions.

As at December 31, 2021, there was a balance receivable from the De Gaspé Beaubien Foundation of \$25,000 (2020 - \$Nil). As at December 31, 2021, a balance of \$1,374 (2020 - \$Nil) was payable from De Gaspé Beaubien Foundation related to payment of salaries and benefits and other expenses paid on behalf of the Foundation. Payables and receivables were measured at cost, determined using their undiscounted cash flows. No differences resulted from these transactions.

The Foundation paid salaries and benefits to a company controlled by some directors of the Foundation. In 2021, total management fees amounted to \$54,374 (2020 - \$100,465). As at December 31, 2021, a balance of \$19,138 (2020 - \$24,278) is payable for those services. Payables and receivables were measured at cost, determined using their undiscounted cash flows. No differences resulted from these transactions.

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Notes to Financial Statements December 31, 2021

10. Related party transactions (continued)

These transactions were concluded in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

11. Financial instruments

The Foundation is exposed to significant risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure at the financial position date.

Liquidity risk

Liquidity risk is the risk the Foundation will have difficulty in meeting obligations associated with financial liabilities. Prudent management of liquidity risk implies retaining a sufficient level of liquidities and arranging for appropriate credit facilities. The Foundation believes that its recurring financial resources are adequate to cover all its expenditures.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation is exposed to credit risk with regard to uncertainty as to timing and collectibility of accounts receivable.