

**AquaAction**  
**(formerly operating under Aquaforum)**

**Financial Statements**  
**December 31, 2022**

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**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 balance sheet as at December 31, 2022, 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, 2022, 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.

The image shows a handwritten signature in black ink that reads "Richter LLP". The signature is written in a cursive, flowing style. To the right of the signature, there is a small superscripted number "1".

Montréal, Quebec  
June 9, 2023

**AquaAction**  
**(formerly operating under Aquaforum)**

**Balance Sheet**  
**As at December 31, 2022**

	2022 \$	2021 \$
<b>Assets</b>		
<b>Current</b>		
Cash	824,404	388,797
Investments (note 3)	1,592,286	-
Accounts receivable (note 4)	91,875	114,651
Prepaid expenses	11,130	6,599
	<b>2,519,695</b>	<b>510,047</b>
<b>Equipment</b> (note 5)	<b>7,292</b>	<b>569</b>
	<b>2,526,987</b>	<b>510,616</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	53,491	82,623
Deferred contributions (note 6)	393,333	382,919
Deferred contributions - AquaEntrepreneur (note 7)	1,797,298	-
Current portion of long-term debt (note 8)	60,000	-
	<b>2,304,122</b>	<b>465,542</b>
<b>Long-term debt</b> (note 8)	<b>-</b>	<b>60,000</b>
	<b>2,304,122</b>	<b>525,542</b>
<b>Commitment</b> (note 9)		
<b>Net assets (deficiency)</b>		
<b>Unrestricted</b>	<b>222,865</b>	<b>(14,926)</b>
	<b>2,526,987</b>	<b>510,616</b>

See accompanying notes

Approved on behalf of the board

\_\_\_\_\_, Director

**AquaAction**  
**(formerly operating under Aquaforum)**

**Statement of Operations and Changes in Net Assets (Deficiency)**  
**For the Year Ended December 31, 2022**

	2022	2021
	\$	\$
<b>Revenues</b>		
Donations	587,965	485,020
Government donations	283,912	64,081
Sponsorship from foundations and other donations	629,167	500,103
Interest revenue	46,975	450
	<b>1,548,019</b>	<b>1,049,654</b>
<b>Expenses</b>		
Event related expenses	542,074	360,756
Business development and partnership	188,819	263,262
Communication plan	277,720	210,911
Administrative and other expenses	301,615	192,415
	<b>1,310,228</b>	<b>1,027,344</b>
<b>Excess of revenues over expenses</b>	<b>237,791</b>	<b>22,310</b>
<b>Deficiency in net assets - beginning of year</b>	<b>(14,926)</b>	<b>(37,236)</b>
<b>Net assets (deficiency) - end of year</b>	<b>222,865</b>	<b>(14,926)</b>

See accompanying notes

# AquaAction (formerly operating under Aquaforum)

## Statement of Cash Flows For the Year Ended December 31, 2022

	2022	2021
	\$	\$
<b>Operating activities</b>		
Excess of revenues over expenses	237,791	22,310
Amortization of equipment	1,911	2,479
Amortization of deferred contributions	(933,080)	(411,303)
Amortization of deferred contributions - AquaEntrepreneur	(250,999)	-
Interest capitalized on investment	(18,986)	-
	<b>(963,363)</b>	<b>(386,514)</b>
Net change in non-cash working capital items	<b>(10,887)</b>	<b>(176,220)</b>
	<b>(974,250)</b>	<b>(562,734)</b>
<b>Investing activities</b>		
Investment acquisition	(1,573,300)	-
Acquisition of equipment	(8,634)	-
	<b>(1,581,934)</b>	<b>-</b>
<b>Financing activities</b>		
Restricted contributions received	943,494	555,000
Restricted contributions received - AquaEntrepreneur	2,048,297	-
Increase in long-term debt	-	20,000
	<b>2,991,791</b>	<b>575,000</b>
<b>Increase in cash</b>	<b>435,607</b>	<b>12,266</b>
<b>Cash - beginning of year</b>	<b>388,797</b>	<b>376,531</b>
<b>Cash - end of year</b>	<b>824,404</b>	<b>388,797</b>

See accompanying notes

# **AquaAction (formerly operating under Aquaforum)**

## **Notes to Financial Statements December 31, 2022**

### **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 watersheds across Canada and to foster the quality and responsible use of its freshwater.

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

### **2. 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.

Interest revenue is recognized on an accrual basis as earned.

#### **Equipment**

Equipment is recorded at cost. Amortization is provided on a declining balance method at the following annual rate:

	Rate
Computers and equipment	33%



# **AquaAction (formerly operating under Aquaforum)**

## **Notes to Financial Statements December 31, 2022**

### **2. Significant accounting policies (continued)**

#### **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.

#### **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 complied 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 \$Nil (2021 - \$13,339) and have been applied against the related salaries and benefits.

#### **Financial instruments**

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.

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.

# AquaAction (formerly operating under Aquaforum)

## Notes to Financial Statements December 31, 2022

### 2. Significant accounting policies (continued)

#### Financial instruments (continued)

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.

### 3. Investments

	\$
The short-term investments comprises of a guaranteed investment certificates of \$1,573,300 which matures March 20, 2023 and bears interest at 4.30% per annum	1,573,300
Interest capitalized	18,986
	<b>1,592,286</b>

### 4. Accounts receivable

	2022 \$	2021 \$
Donations receivable	76,654	95,921
Government remittances	15,221	18,730
	<b>91,875</b>	114,651

### 5. Equipment

	Cost \$	Accumulated amortization \$	2022 Net book value \$	2021 Net book value \$
Computers and equipment	16,145	8,853	<b>7,292</b>	569

The amortization expense for the year was \$1,911 (2021 - \$2,479).

# AquaAction (formerly operating under Aquaforum)

## Notes to Financial Statements December 31, 2022

### 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:

	2022 \$	2021 \$
<b>Balance - beginning of year</b>	<b>382,919</b>	239,222
Recognized as revenue in the year	<b>(933,080)</b>	(411,303)
Received in the year	<b>943,494</b>	555,000
<b>Balance - end of year</b>	<b>393,333</b>	382,919

### 7. Deferred contributions - AquaEntrepreneur

During the year, AquaAction received a grant from the government of Quebec in order to accelerate the launch of innovative new companies in the Quebec water-tech sector, including commercial adoption in the municipal and industrial sectors. Concretely, the organization has the obligation to implement a project that aims to create a program dedicated exclusively to founders of high-tech companies in the field of water and technology companies in the water sector.

The total amount of the project is \$2,863,377. From this amount, the Government of Québec has paid a sum of \$2,048,297 during the year for fiscal years 2021-2022 to 2024-2025, in accordance with the terms of the agreement. The remaining contributions for the project will be received by various institutions, entities or other donators. An amount of \$251,000 was recognized during the year and the remaining of \$1,797,298 was recorded as deferred contribution.

In connection with this project, AquaAction is responsible of a total contribution of \$128,000. An amount of \$33,680 had been recognized during the year and the remaining \$94,320 will be recognized in the next three years.

	\$
<b>Deferred contributions - AquaEntrepreneur</b>	
Recognized as revenue in the year	<b>(250,999)</b>
Received in the year	<b>2,048,297</b>
	<b>1,797,298</b>

# AquaAction (formerly operating under Aquaforum)

## Notes to Financial Statements December 31, 2022

### 8. Long-term debt

	2022 \$	2021 \$
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	60,000
Current portion of long-term debt	60,000	-
	-	60,000

### 9. Commitment

The commitment of the Foundation under a lease agreement aggregate to \$37,000. The minimum annual payments is approximately as follows:

	\$
2023	37,000

### 10. Related party transactions

During the year, De Gaspé Beaubien Foundation, a foundation controlled by some board members of AquaAction, made donations in the amount of \$654,000 (2021 - \$550,000) to AquaAction of which \$140,000 is included in deferred contributions.

As at December 31, 2022, there was a balance receivable from the De Gaspé Beaubien Foundation of \$Nil (2021 - \$25,000). As at December 31, 2022, a balance of \$Nil (2021 - \$1,374) 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 some salaries and benefits, accounting services and offices expenses to a company controlled by some directors of the Foundation. In 2022, total expenses amounted to \$57,812 (2021 - \$54,374). As at December 31, 2022, a balance of \$19,933 (2021 - \$19,138) is payable for those services. Payables and receivables were measured at cost, determined using their undiscounted cash flows. No differences resulted from these transactions.

# **AquaAction (formerly operating under Aquaforum)**

## **Notes to Financial Statements December 31, 2022**

### **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.

### **12. Comparative figures**

Certain reclassifications of 2021 amounts have been made to facilitate comparison with the current year.