

**AquaAction**  
**Financial Statements**  
**December 31, 2023**

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## Independent Auditor's Report

To the Board of Directors of  
AquaAction

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### Opinion

We have audited the financial statements of AquaAction (hereafter "the Organization"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to 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 Organization as at December 31, 2023, 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 Organization 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.

### Other matter – comparative information audited by a predecessor auditor

The financial statements of the Organization for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on June 9, 2023.

### 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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.

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 Organization'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 Organization'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 Organization 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.

*Raymond Chabot Grant Thornton LLP*<sup>1</sup>

Montréal  
June 7, 2024

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<sup>1</sup> CPA auditor, public accountancy permit no. A131601

# AquaAction Operations

Year ended December 31, 2023

	<u>2023</u>	<u>2022</u>
	\$	\$
<b>Revenues</b>		
Contributions		
Fondation de Gaspé Beaubien (Note 3)	1,312,850	583,500
Private corporations	325,000	312,500
Not-for-profit organizations	798,503	321,132
Provincial governments	505,387	283,912
Interest income	102,341	46,975
Other income	<u>22,549</u>	
	<u>3,066,630</u>	<u>1,548,019</u>
<b>Expenses (Note 4)</b>		
Events	1,669,243	542,075
Business development	631,320	202,655
Communications	468,455	277,719
Administration	<u>453,923</u>	<u>287,779</u>
	<u>3,222,941</u>	<u>1,310,228</u>
<b>Excess (deficiency) of revenues over expenses</b>	<u>(156,311)</u>	<u>237,791</u>

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

## AquaAction

### Changes in Net Assets

Year ended December 31, 2023

			<u>2023</u>	<u>2022</u>
	<u>Invested in capital assets</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
	\$	\$	\$	\$
Balance, beginning of year	7,292	215,573	222,865	(14,926)
Excess (deficiency) of revenues over expenses	(6,797)	(149,514)	(156,311)	237,791
Investment in capital assets	14,683	(14,683)		
Balance, end of year	<u>15,178</u>	<u>51,376</u>	<u>66,554</u>	<u>222,865</u>

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

# AquaAction

## Cash Flows

Year ended December 31, 2023

	<u>2023</u>	<u>2022</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	(156,311)	237,791
Non-cash items		
Amortization of equipment	6,797	1,911
Other income	<u>(20,000)</u>	
	<u>(169,514)</u>	<u>239,702</u>
Changes in working capital items and deferred contributions		
Contributions and other receivables	(118,883)	3,790
Prepaid expenses	(31,890)	(4,531)
Deferred contributions – other	716,667	2,058,711
Deferred contributions – AquaEntrepreneur	(505,387)	(250,999)
Trade accounts payable	<u>65,920</u>	<u>(29,132)</u>
	<u>126,427</u>	<u>1,777,839</u>
Cash flows from operating activities	<u>(43,087)</u>	<u>2,017,541</u>
<b>INVESTING ACTIVITIES</b>		
Guaranteed investment certificate	(3,846,600)	(1,573,300)
Disposal of guaranteed investment certificate	4,738,886	
Acquisition of equipment	<u>(14,683)</u>	<u>(8,634)</u>
Cash flows from investing activities	<u>877,603</u>	<u>(1,581,934)</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	<u>(40,000)</u>	
<b>Net increase in cash</b>	<u>794,516</u>	<u>435,607</u>
Cash, beginning of year	<u>824,404</u>	<u>388,797</u>
Cash, end of year	<u>1,618,920</u>	<u>824,404</u>

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

# AquaAction

## Financial Position

December 31, 2023

	<u>2023</u>	<u>2022</u>
	\$	\$
<b>ASSETS</b>		
Current		
Cash	1,618,920	824,404
Contributions and other receivables (Note 5)	210,758	91,875
Prepaid expenses	43,020	11,130
Guaranteed investment certificate, 5.7%, maturing in November 2024	<u>700,000</u>	<u>1,592,286</u>
	<u>2,572,698</u>	<u>2,519,695</u>
Long-term		
Equipment (Note 6)	<u>15,178</u>	<u>7,292</u>
	<u><u>2,587,876</u></u>	<u><u>2,526,987</u></u>
<b>LIABILITIES</b>		
Current		
Trade accounts payable	119,411	53,491
Deferred contributions – AquaEntrepreneur (Note 7)	1,291,911	1,797,298
Deferred contributions – other (Note 8)	1,110,000	393,333
Loan, non-interest bearing	<u>60,000</u>	<u>60,000</u>
	<u>2,521,322</u>	<u>2,304,122</u>
<b>NET ASSETS</b>		
Invested in capital assets	15,178	7,292
Unrestricted	<u>51,376</u>	<u>215,573</u>
	<u>66,554</u>	<u>222,865</u>
	<u><u>2,587,876</u></u>	<u><u>2,526,987</u></u>

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

On behalf of the Board,

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Director



# AquaAction

## Notes to Financial Statements

December 31, 2023

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### **1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION**

The Organization was incorporated under Part III of the *Companies Act (Quebec)* for the purpose of conserving watersheds across Canada and fostering the quality and responsible use of its freshwater. It is a registered charity under the *Income Tax Act*.

### **2 - SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of presentation**

The Organization's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

#### **Accounting estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

#### **Financial assets and liabilities**

##### *Initial measurement*

Upon initial measurement, the Organization's financial assets and liabilities from transactions not concluded with related parties and those from transactions with parties whose sole relationship with the entity is in the capacity of management (and members of the immediate family) are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. The Organization's financial assets and liabilities from related party transactions are measured at cost.

##### *Subsequent measurement*

At each reporting date, the Organization measures its financial assets and liabilities from transactions not concluded with related parties at amortized cost (including any impairment in the case of financial assets), whereas those from related party transactions are measured using the cost method (including any impairment in the case of financial assets).

With respect to financial assets measured at amortized cost or using the cost method, the Organization assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Organization determines that, during the year, there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost or using the cost method is recognized in operations in the year the reversal occurs.

#### **Equipment**

Equipment acquired is recorded at cost. When the Organization receives contributions of equipment, its cost is equal to its fair value at the contribution date plus all costs directly attributable to the acquisition of the equipment, or at a nominal value if fair value cannot be reasonably determined.

# AquaAction

## Notes to Financial Statements

December 31, 2023

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### **2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### *Amortization*

Equipment is amortized over its estimated useful life according to the diminishing balance method at the annual rate of 33%.

#### *Write-down*

When conditions indicate that equipment is impaired, the net carrying amount of the equipment is written down to the equipment's fair value or replacement cost. The write-down is accounted for in the statement of operations and cannot be reversed.

### **Revenue recognition**

#### *Contributions*

The Organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and 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.

#### *Interest income*

Investment transactions are recognized at the transaction date and the resulting revenues are recognized in operations using the accrual basis of accounting.

Interest income from the guaranteed investment certificate is recognized on a time apportionment basis.

### **Foreign currency translation**

The Organization uses the temporal method to translate transactions denominated in a foreign currency. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at historical exchange rates, with the exception of those recognized at fair value, which are translated at the exchange rate in effect at the statement of financial position date. Revenue and expenses are translated at the average rate for the period, with the exception of the amortization of assets translated at the historical exchange rates, which is translated at the same exchange rates as the related assets. The related exchange gains and losses are accounted for in operations for the year.

### **Allocation of expenses**

The Organization's four functions comprise events, business development, communications and administration. The costs of each function include rental and other expenses that are directly related to the function. Additionally, a number of general support expenses that are common to the administration and each of its functions are assumed by the Organization.

Salaries and benefits are allocated proportionately to their use in the various functions.

# AquaAction

## Notes to Financial Statements

December 31, 2023

### 3 - RELATED PARTY TRANSACTIONS

Fondation de Gaspé Beaubien exercises significant influence over AquaAction since it can name certain members of its Board of Directors. This foundation's purpose is to advance family life and business family education, organize and participate in environmental projects aimed at young people, protect and restore clean water in Canada and abroad as well as educate and increase the public's understanding of the environment. It is incorporated under Part II of the *Canada Corporation Act* and is a registered charity under the *Income Tax Act*.

During the year, the Organization received an amount of \$1,172,850 (\$654,000 for the year ended December 31, 2022) from the foundation of which no amount is included in deferred contributions – AquaEntrepreneur (\$140,000 as at December 31, 2022). During the year, related to the above-mentioned contribution, the Organization recognized the contributions in the statement of operations.

In 2023, the Organization paid salaries and benefits and professional fees to a company controlled by directors totalling \$43,530 and \$39,223 respectively (\$21,825 and \$35,987 respectively in 2022). These transactions were measured at the exchange amount, excluding the resulting financial instruments.

### 4 - ALLOCATION OF EXPENSES

Salaries and benefits expenses of \$1,427,642 (\$806,201 for the year ended December 31, 2022) have been allocated as follows:

	<u>2023</u>	<u>2022</u>
	\$	\$
Events	713,821	403,101
Business development	356,911	137,054
Communications	214,146	201,550
Administration	142,764	64,496
	<u>1,427,642</u>	<u>806,201</u>

### 5 - CONTRIBUTIONS AND OTHER RECEIVABLES

	<u>2023</u>	<u>2022</u>
	\$	\$
Contributions receivable	170,556	76,654
Indirect taxes receivable	35,214	15,221
Accrued interest	4,988	
	<u>210,758</u>	<u>91,875</u>

As at December 31, 2023, amounts owing from one donor represents 61% of the total contributions receivable. The Organization had no significant concentration of credit risks as at December 31, 2022.

### 6 - EQUIPMENT

	<u>2023</u>			<u>2022</u>
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Computer equipment	<u>30,828</u>	<u>15,650</u>	<u>15,178</u>	<u>7,292</u>

# AquaAction

## Notes to Financial Statements

December 31, 2023

### 7 - DEFERRED CONTRIBUTIONS – AQUAENTREPRENEUR

During the year 2022, the Organization received a grant from the government of Quebec in order to accelerate the launch of innovative new companies in the Quebec water-tech sector. 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 balance of deferred contributions is detailed as follows:

	<u>2023</u>	<u>2022</u>
	\$	\$
Balance, beginning of year	1,797,298	
Amount recognized in operations	(505,387)	(250,999)
Amount received relating to the following year		2,048,297
Balance, end of year	<u>1,291,911</u>	<u>1,797,298</u>

### 8 - DEFERRED CONTRIBUTIONS – OTHER

Deferred contributions related to restricted contributions received in the current year to cover expenses for future years. The balance of deferred contributions is detailed as follows:

	<u>2023</u>	<u>2022</u>
	\$	\$
Balance, beginning of year	393,333	382,919
Amount recognized in operations	(393,333)	(933,080)
Amount received relating to the following year	1,110,000	943,494
Balance, end of year	<u>1,110,000</u>	<u>393,333</u>

### 9 - FINANCIAL RISKS

#### Credit risk

The Organization is exposed to credit risk regarding the financial assets recognized in the statement of financial position. The Organization has determined that the financial assets with more credit risk exposure are contributions and other receivables (excluding indirect taxes receivable) since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Organization.

#### Market risk

The Organization's financial instruments expose it to market risk, in particular, to currency risk and interest rate risk, resulting from its operating and investing activities.

#### Currency risk

The majority of the Organization's transactions are in Canadian dollars. Currency risk results from the Organization's contributions and expenses denominated in foreign currency which are primarily in U.S. dollars. As at December 31, 2023, the Organization is exposed to currency risk due to cash denominated in U.S. dollars totalling \$181,085 (nil as at December 31, 2022).

# AquaAction

## Notes to Financial Statements

December 31, 2023

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### **9 - FINANCIAL RISKS (Continued)**

#### *Interest rate risk*

The Organization is exposed to interest rate risk with respect to financial assets bearing fixed interest rates.

The guaranteed investment certificate bears interest at a fixed rate and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

#### **Liquidity risk**

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.