

Aquaforum

**Financial Statements
December 31, 2020**

Aquaforum

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Independent Auditor's Report

To the Board of Directors of
Aquaforum

Opinion

We have audited the financial statements of Aquaforum (the Foundation), which comprise the statement of financial position as at December 31, 2020, 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, 2020, 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.

Montréal, Quebec
April 28, 2021

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Statement of Financial Position As at December 31, 2020

	2020 \$	2019 \$
Assets		
Current		
Cash	376,531	132,154
Accounts receivable (note 3)	68,116	482,221
Prepaid expenses	22,129	12,124
	466,776	626,499
Property and equipment (note 4)	3,048	4,029
	469,824	630,528
Liabilities		
Current		
Accounts payable and accrued liabilities	227,838	98,535
Deferred contributions (note 5)	239,222	513,800
	467,060	612,335
Long-term debt (note 6)	40,000	-
	507,060	612,335
Commitment (note 7)		
Net assets (deficiency)		
Unrestricted	(37,236)	18,193
	469,824	630,528

See accompanying notes

Approved on behalf of the board

_____, Director

_____, Director

Aquaforum

Statement of Operations and Changes in Net Assets (Deficiency) For the Year Ended December 31, 2020

	2020	2019
	\$	\$
Revenues		
Donations	363,333	774,333
Donations - individuals	1,845	4,384
Government donations	-	35,000
Sponsorship from foundations and other donations	767,312	924,316
Other revenue (note 8)	153,126	-
	1,285,616	1,738,033
Expenses		
Event related expenses	443,904	787,103
Business development and partnership	378,491	242,301
Communication plan	300,760	437,020
Administrative and other expenses	217,890	275,304
	1,341,045	1,741,728
Deficiency of revenues over expenses	(55,429)	(3,695)
Net assets - beginning of year	18,193	21,888
Net assets (deficiency) - end of year	(37,236)	18,193

See accompanying notes

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Statement of Cash Flows For the Year Ended December 31, 2020

	2020 \$	2019 \$
Operating activities		
Deficiency of revenues over expenses	(55,429)	(3,695)
Amortization of property and equipment	2,479	1,985
Amortization of deferred contributions	(513,800)	(588,700)
	(566,750)	(590,410)
Net change in non-cash working capital items	533,403	(151,518)
	(33,347)	(741,928)
Investing activity		
Acquisition of property and equipment	(1,498)	(6,014)
Financing activities		
Restricted contributions received	239,222	227,500
Increase in long-term debt	40,000	-
	279,222	227,500
Increase (decrease) in cash	244,377	(520,442)
Cash - beginning of year	132,154	652,596
Cash - end of year	376,531	132,154

See accompanying notes

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Notes to Financial Statements December 31, 2020

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, and is a registered charity under the Income Tax Act.

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. 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 straight-line basis over the estimated useful lives of the assets 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, 2020

2. Significant accounting policies (continued)

Financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions. The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost.

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

The carrying amount of the financial asset or liability is adjusted by the transaction costs, which are recognized in deficiency of revenues over expenses using the straight-line method.

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 \$129,975 (2019 - \$Nil) and have been applied against the related salaries and benefits.

3. Accounts receivable

	2020	2019
	\$	\$
Donations receivable	23,477	482,221
Government remittances	29,395	-
Subsidy receivable	15,244	-
	68,116	482,221

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Notes to Financial Statements December 31, 2020

4. Property and equipment

	Cost \$	Accumulated amortization \$	2020 Net book value \$	2019 Net book value \$
Computers and equipment	7,511	4,463	3,048	4,029

The amortization expense for the year was \$2,479 (2019 - \$1,985).

5. 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:

	2020 \$	2019 \$
Balance - beginning of year	513,800	875,000
Recognized as revenue in the year	(696,578)	(588,700)
Received in the year	422,000	227,500
Balance - end of year	239,222	513,800

6. Long-term debt

	2020 \$	2019 \$
Term loan of \$40,000 granted under the Canada Emergency Business Account program (CEBA), not interest bearing for the initial term ending December 31, 2022. As of January 1, 2023, the loan will bear interest at a fixed rate of 5% per annum. If the Foundation repays 75% of the original value of the loan by December 31, 2022, it will result in a loan forgiveness for the remaining portion of the loan	40,000	-

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Notes to Financial Statements December 31, 2020

7. Commitment

The commitment of the Foundation under lease agreements aggregate to \$18,000. The minimum annual payments are approximately as follows:

	\$
2021	18,000

8. Other revenue

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

9. 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 \$368,333 (2019 - \$774,333) to Aquaforum, of which \$5,000 is included in deferred contributions.

As at December 31, 2020, there was no balance receivable from the De Gaspé Beaubien Foundation (2019 - \$377,221). As at December 31, 2019, a balance of \$14,420 was payable from De Gaspé Beaubien Foundation related to payment of salaries and benefits and other expenses paid on behalf of the Foundation.

The Foundation paid salaries and benefits to a company controlled by some directors of the Foundation. In 2020, total management fees amounted to \$100,465 (2019 - \$115,228). As at December 31, 2020, a balance of \$24,278 (2019 - \$2,780) is payable for those services.

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.

10. Financial instruments

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundations 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.

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Notes to Financial Statements December 31, 2020

10. Financial instruments (continued)

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.

11. Global pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout Canada and around the world.

As of the report date, the Foundation did experience a decrease in donations due to certain charity events being cancelled.

Although management cannot be certain of the impact of the pandemic on the financial statements and the duration of such a disruption at the date of the report, management does believe the implication will be temporary and that the Foundation will be able to continue its operations with minor disruptions. As a result, management is unable to estimate the potential impact on the business as of the date of this report.