

**Financial Statements**

**H2O4ALL**

**December 31, 2020**



## INDEPENDENT AUDITOR'S REPORT

To the Directors of  
H2O4ALL

### Qualified Opinion

We have audited the financial statements of **H2O4ALL** (The "Organization"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

### Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2020 and 2019, current assets as at December 31, 2020 and 2019, and net assets as at January 1 and December 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

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 qualified 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 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.



## INDEPENDENT AUDITOR'S REPORT, continued

### 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.

A handwritten signature in black ink, appearing to read 'Ivo Zetani + Larivi'.

Oakville, Ontario  
June 16, 2021

Chartered Professional Accountants  
Licensed Public Accountants

## H2O4ALL

(Incorporated under the Canada Business Corporations Act)

### STATEMENT OF FINANCIAL POSITION

As at December 31

	2020	2019
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	163,152	73,851
Accounts receivable	1,760	810
Sales taxes rebate recoverable	1,709	3,627
Prepaid expenses and deposits	5,599	4,010
	<b>172,220</b>	<b>82,298</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	5,874	7,233
Government remittances payable	-	382
Deferred revenue [note 2]	110,161	67,178
	<b>116,035</b>	<b>74,793</b>
<b>Long term</b>		
Government assistance payable [note 3]	30,000	-
	<b>146,035</b>	<b>74,793</b>
<b>Net assets</b>	<b>26,185</b>	<b>7,505</b>
	<b>172,220</b>	<b>82,298</b>

See accompanying notes

On behalf of the board

\_\_\_\_\_  
Director

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Director

## H2O4ALL

### STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended December 31

	2020	2019
	\$	\$
<b>Revenues</b>		
Contributions - General	66,680	160,169
Grants - summer student	12,787	13,926
Contributions - designated	74,034	32,155
Income from government assistance [note 3]	10,000	-
	163,501	206,250
<b>Project expenditures [note 4]</b>	115,470	178,383
	48,031	27,867
<b>Expenditures</b>		
Bank charges	3,272	3,045
Fundraising	255	12,334
Insurance	3,342	2,892
Office and general	9,419	9,852
Professional fees	11,039	10,786
Rent and occupancy	2,024	2,244
	29,351	41,153
<b>Excess of revenues over expenditures (expenditures over revenues) for the year</b>	18,680	(13,286)
Net assets, beginning of year	7,505	20,791
<b>Net assets, end of year</b>	26,185	7,505

See accompanying notes

## H2O4ALL

### STATEMENT OF CASH FLOWS

Year ended December 31

	2020	2019
	\$	\$
<b>Operating activities</b>		
Excess of revenues over expenditures (expenditures over revenues) for the year	18,680	(13,286)
Net change in non-cash balances related to operations:		
Accounts receivable	(950)	3,890
Sales taxes rebate recoverable	1,918	(2,264)
Prepaid expenses and deposits	(1,589)	(433)
Accounts payable and accrued liabilities	(1,359)	(510)
Government remittances payable	(382)	(342)
Deferred revenue	42,983	29,255
Cash provided by operating activities	59,301	16,310
<b>Financing activities</b>		
Proceeds of government assistance payable	30,000	-
Cash provided by financing activities	30,000	-
<b>Net change in cash during the year</b>	<b>89,301</b>	<b>16,310</b>
<b>Cash, beginning of year</b>	<b>73,851</b>	<b>57,541</b>
<b>Cash, end of year</b>	<b>163,152</b>	<b>73,851</b>

See accompanying notes

## H2O4ALL

### NOTES TO THE FINANCIAL STATEMENTS

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December 31, 2020

H2O4ALL was incorporated on August 13, 2008 under the Canada Business Corporations Act. The organization's principal business is to alleviate thirst and hunger and provide sanitation by installing treatment systems to convert existing water resources into easily accessible and sustainable portable water.

In accordance with the terms of its Letters Patent, the Organization shall be carried on without the purpose of gain for its members and any profits or other accretions to the Organization must be used in promoting its objectives.

#### 1. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed below:

##### Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Grants are recognized as revenue in the period in which the related expenses are to be incurred.

##### Financial instruments

###### *Measurement of financial instruments*

The Organization initially measures its financial assets and liabilities at fair value.

The Organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable and sales taxes rebate receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, government remittances payable and government assistance payable.

The Organization has not designated any financial asset or financial liability to be measured at fair value.

## NOTES TO THE FINANCIAL STATEMENTS

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December 31, 2020

**1. Significant accounting policies, continued**

**Financial instruments, continued**

*Impairment*

For financial assets measured at cost or amortized cost, the Organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess of revenues over expenditures (expenditures over revenues). A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be 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 excess of revenues over expenditures (expenditures over revenues).

**Contributed materials and services**

The Organization recognizes contributed materials and services at the fair value of the materials and services received.

Volunteers contribute a significant number of hours to assist the Organization in carrying out its activities. Due to the difficulty in determining the fair value, volunteer contributed services are not recognized in the financial statements.

**Foreign currency translation**

The Organization follows the temporal method of translation of foreign currencies whereby monetary assets and liabilities are translated at the rate of exchange prevailing at the statement of financial position date. Transactions during the year are translated at rates in effective at the date of settlement. Foreign exchange gains and losses are included in income.

**Use of estimates**

The preparation of the financial statements in accordance with ASNFPO requires management to make estimates and assumptions that affect the recognition, measurement and disclosure of amounts reported in the financial statements and accompanying notes. The reported amounts and note disclosures are determined using management's best estimate based on assumptions that reflect the most probable set of economic conditions and planned course of action. Actual results may be different from those estimates.



## H2O4ALL

### NOTES TO THE FINANCIAL STATEMENTS

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December 31, 2020

#### 1. Significant accounting policies, continued

##### Allocated expenses

The Organization records a number of its expenses by function: Administrative and Project Expenditures.

Personnel costs and premises cost are allocated on the following basis:

- personnel costs: prorated to hours worked per function;
- premises cost: prorated to the floor area occupied by each function.

#### 2. Deferred revenue

Deferred revenue consists of contributions that relate to subsequent periods and projects.

	2020	2019
	\$	\$
Opening balance	67,178	37,923
Less: amounts recognized as revenue in the current year	(67,178)	(37,923)
Deferred contributions	110,161	67,178
	<b>110,161</b>	<b>67,178</b>

#### 3. Government assistance payable

The loan payable is administered by The Toronto-Dominion Bank on behalf of the Federal Government of Canada under the government assistance program known as the Canada Emergency Business Account. The loan is non-interest bearing and up to 25% of the loan will be eligible for forgiveness if repaid on or before December 31, 2022. The forgiven balance of \$10,000 has been recognized in income. If the balance of the loan is not fully repaid by December 31, 2022, the unforgiven balance will be converted to a term loan bearing interest at a rate of 5% per annum beginning on January 1, 2023. The term loan is due in full by December 31, 2025. The Organization does not intend to repay this amount before December 31, 2021 and accordingly has been classified as long-term.

#### 4. Project expenditures

	2020	2019
	\$	\$
Development and training	1,452	2,241
Purchases	55,445	44,285
Program space	7,909	8,978
Travel and accommodations	19,797	47,574
Wages and benefits	30,867	75,305
	<b>115,470</b>	<b>178,383</b>

## H2O4ALL

### NOTES TO THE FINANCIAL STATEMENTS

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December 31, 2020

#### 5. Financial instruments

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentration at the statement of financial position date.

##### *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party failing to discharge an obligation. Due to the nature its financial instruments, the Organization is not exposed to significant credit risk as the majority of receivables are due from donors. The risk has remained unchanged from the prior year.

##### *Liquidity risk*

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization's ability to meet obligations depends on the receipt of funds in the form of revenues in the normal course of operations. The Organization manages its liquidity risk by monitoring its operating requirements to ensure financial resources are available. This risk has remained unchanged from the prior year.

##### *Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. The Organization is mainly exposed to currency risk.

##### (i) *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization is exposed to risk through the various expenditures in foreign countries in US\$, Cuban peso, Uganda shilling and Kenyan shilling. A significant portion of the organization's expenditures are in foreign currencies. Foreign exchange gains and losses are included in the statement of operations. The Organization also holds a US\$ bank account. The exposure to this risk changes as the transaction amounts change and as the exchange rate fluctuates. The risk is unchanged from the prior year. U.S. Dollar denominated amounts included in the financial statements as translated at year-end are as follows:

	2020	2019
	\$	\$
Cash	33,328	3,980

**H2O4ALL**

## **NOTES TO THE FINANCIAL STATEMENTS**

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December 31, 2020

**6. Income taxes**

The Organization is a registered charitable organization under the Income Tax Act, and as such is exempt from income taxes. Accordingly, no provision has been made in these financial statements for income taxes.

**7. COVID-19**

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The pandemic resulted in a number of measures at various levels of government to curtail the spread of the virus, such as, travel restrictions, closures of non-essential operations, mandatory quarantines and other social distancing measures.

The impact to the Organization during the year includes, but is not limited to, postponed travel, project activities and the receipt of government funds to offset operating expense as explained in Note 3.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government responses, remain unclear at this time. Further potential risks that the Organization faces as a result of the pandemic cannot be reliably estimated at this time; however, the Organization is undertaking all necessary measures to ensure the financial viability of the Organization.