

H2O4ALL
Financial Statements
Year Ended December 31, 2022

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Year Ended December 31, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Members 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, 2022, and the statements of revenues and expenditures, 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 possible 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, 2022, and the results of its operations and 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 donations and 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 year ended December 31, 2022, current assets and net assets as at December 31, 2022. Our audit opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this limitation of 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 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 audit 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 ASNPO, 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.

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Independent Auditor's Report to the Members of H2O4ALL (*continued*)

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.

Oakville, Ontario
April 1, 2023

Henderson Roller Smit Professional Corporation
HENDERSON ROLLER SMIT PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practise public accounting by
the Chartered Professional Accountants of
Ontario

Statement of Financial Position
December 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 207,461	\$ 235,360
Accounts receivable	5,706	6,044
Sales tax recoverable	4,038	2,730
Government funding receivable	-	8,010
Prepaid expenses	20,295	4,214
	\$ 237,500	\$ 256,358
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 21,668	\$ 24,805
Deferred revenue (Note 3)	135,693	157,665
	157,361	182,470
CEBA LOAN (Note 4)	40,000	40,000
	197,361	222,470
NET ASSETS		
General fund	40,139	33,888
	\$ 237,500	\$ 256,358

ON BEHALF OF THE BOARD

_____ Odile Bartlett *Director*

_____ Aly Abdelnaby *Director*

See notes to financial statements

Statement of Revenues and Expenditures
Year Ended December 31, 2022

	2022	2021
REVENUES		
Contributions - designated	\$ 253,234	\$ 81,734
Contributions - general	61,409	62,674
Grants - summer student	9,338	17,143
Income from government assistance (Note 4)	-	10,000
	323,981	171,551
Program expenditures (Note 5)	269,396	129,802
	54,585	41,749
EXPENSES		
Office	21,131	8,968
Professional fees	9,709	9,844
Fundraising	6,830	4,465
Marketing and Communication	4,155	5,096
Insurance	2,848	2,635
Interest and bank charges	2,625	2,818
Rental	1,036	220
	48,334	34,046
EXCESS OF REVENUES OVER EXPENSES	\$ 6,251	\$ 7,703

Statement of Changes in Net Assets
Year Ended December 31, 2022

	2022		2021
NET ASSETS - BEGINNING OF YEAR	\$ 33,888	\$	26,185
EXCESS OF REVENUES OVER EXPENSES	6,251		7,703
NET ASSETS - END OF YEAR	\$ 40,139	\$	33,888

Statement of Cash Flows
Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 6,251	\$ 7,703
Changes in non-cash working capital:		
Accounts receivable	338	(4,284)
Sales tax recoverable	(1,308)	(1,021)
Government funding receivable	8,010	(8,010)
Prepaid expenses	(16,081)	1,385
Accounts payable and accrued liabilities	(3,137)	18,931
Deferred revenue	(21,972)	47,504
	(34,150)	54,505
Cash flow from (used by) operating activities	(27,899)	62,208
FINANCING ACTIVITY		
Proceeds from CEBA loan	-	10,000
INCREASE (DECREASE) IN CASH FLOW	(27,899)	72,208
Cash - beginning of year	235,360	163,152
CASH - END OF YEAR	\$ 207,461	\$ 235,360

Notes to Financial Statements
Year Ended December 31, 2022

1. DESCRIPTION OF ORGANIZATION

H2O4ALL (the "organization") 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 potable 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Revenue recognition

The organization follows the deferral method of accounting for contributions.

Restricted contributions, which include grants and designated contributions, are recognized as revenue in the year in which the related expenses are incurred and reasonable assurance has been obtained that the organization has complied with and will continue to comply with, all the necessary conditions to obtain the grants.

Unrestricted and government assistance, which includes the forgivable portion of the CEBA loans and general contributions, are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Deferred revenue

Deferred revenue represents revenue received but not yet spent from restricted funds. These funds are restricted either to be used towards specific expenses or are restricted for a future time period. Revenue is recognized in the future period, or when the related expenses are incurred.

Net assets

General fund net assets comprise the excess of revenue over expenses accumulated by the organization each year, net of transfers, and are available for general purposes.

Donated services and materials

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.

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Notes to Financial Statements
Year Ended December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related party transactions

Unless otherwise stated, related party transactions are in the normal course of operations, and are recorded at the exchange amount, which is the amount agreed to by the related parties.

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. The significant items for which estimates were made include the collectibility of accounts receivable, accrued liabilities and determination of deferred revenue. Actual results could differ from these estimates.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets that are traded in an active market are reported at fair value. All of the other financial instruments are recorded at amortized cost.

Financial assets recorded at amortized cost include cash, accounts receivable and government funding receivable. There are no financial assets recorded at fair value.

Financial liabilities recorded at amortized cost include accounts payable and accrued liabilities and deferred revenue. There are no financial liabilities recorded at fair value.

Financial instruments are tested for impairment at each reporting date and when an event occurs which may have caused impairment. When a test for impairment indicates the carrying value exceeds its fair value, an impairment loss is recognized to the extent the carrying value exceeds its fair value. When the test indicates that the fair value exceeds the carrying amount, a reversal of the impairment loss previously recorded is recognized to the extent of the original cost.

Allocated Expenses

The organization records a number of its expenses by function: Administrative and Project expenditures. Personnel costs are allocated between various projects based hours worked per function.

Notes to Financial Statements
Year Ended December 31, 2022

3. DEFERRED INCOME

	2021 Opening Balance	Additions	Recognized in Revenue	2022 Ending Balance
Future Projects	\$ 157,665	\$ 231,262	\$ 253,234	\$ 135,693

4. CANADIAN EMERGENCY BUSINESS ACCOUNT LOAN (CEBA)

The organization applied for and received the \$40,000 CEBA loan in the 2020 fiscal year. In 2021, the organization received an additional \$20,000 of CEBA funds. The loan was made available to companies that have been negatively impacted by the COVID-19 pandemic and met certain other criteria. The loan is unsecured, and interest free to December 31, 2023. If the loan is repaid by December 31, 2023, \$20,000 of the loan will be forgiven. If the loan is not repaid by December 31, 2023 the full \$60,000 loan will be converted to a loan repayable over three years with a 5% interest rate. In accordance with the organization's accounting policy, the forgivable portion of the loan was recognized in revenue in previous years when the loan was made available to the organization.

5. PROJECT EXPENDITURES

	2022	2021
Development and training	\$ 14,738	\$ 6,814
Program space	1,445	1,205
Purchases	133,658	51,454
Travel and accommodations	30,082	5,885
Wages and benefits	89,473	64,444
	\$ 269,396	\$ 129,802

6. RELATED PARTY TRANSACTIONS

The organization received \$9,486 from board members of the organization. They are related to the organization as they collectively control the organization. Related party transactions are in the normal course of operations, and are recorded at the exchange amount.

7. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2022. There have been no significant changes to the organization's risk profile since December 31, 2021.

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Notes to Financial Statements
Year Ended December 31, 2022

7. FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from funders. In order to reduce its credit risk, the organization reviews a new funder's credit history before extending credit and conducts regular reviews of its existing funders' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

(b) Market risk

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

(c) Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. 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. At December 31, 2022, the organization's net exposure to foreign currencies was related to USD, totaling \$36,542 (2021 - USD, totaling \$63,484). The organization does not use derivative instruments to reduce its exposure to foreign currency risk.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant liquidity risk, interest rate risk or other price risks arising from these financial instruments.

8. 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.

9. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

Signature:



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