

ALBERTA WATER COUNCIL ASSOCIATION
Financial Statements
For The Year Ended December 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Directors of Alberta Water Council Association

We have audited the accompanying financial statements of Alberta Water Council Association, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alberta Water Council Association as at December 31, 2017 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.

Other Matter

The financial statements of Alberta Water Council Association for the year ended December 31, 2016 were audited by other auditors who expressed an unqualified opinion on those statements dated March 16, 2017.

METRIX GROUP LLP

Chartered Professional Accountants

March 8, 2018
Edmonton, Alberta

ALBERTA WATER COUNCIL ASSOCIATION

Statement of Financial Position

As at December 31, 2017

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT		
Cash and cash equivalents <i>(Note 2)</i>	\$ 936,938	\$ 633,271
Accounts receivable <i>(Note 3)</i>	39,346	3,334
Prepaid expenses	6,002	6,352
	<u>982,286</u>	642,957
TANGIBLE CAPITAL ASSETS <i>(Note 4)</i>	<u>9,104</u>	479
	<u>\$ 991,390</u>	<u>\$ 643,436</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities <i>(Note 5)</i>	\$ 23,691	\$ 11,314
Deferred contributions <i>(Note 6)</i>	958,095	631,622
	<u>981,786</u>	642,936
DEFERRED CONTRIBUTIONS - TANGIBLE CAPITAL ASSETS <i>(Note 7)</i>	<u>9,104</u>	-
	<u>990,890</u>	642,936
NET ASSETS		
Unrestricted net assets	500	21
Invested in tangible capital assets	-	479
	<u>500</u>	500
	<u>\$ 991,390</u>	<u>\$ 643,436</u>

ON BEHALF OF THE BOARD:

_____ Director

_____ Director

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

ALBERTA WATER COUNCIL ASSOCIATION**Statement of Operations****For The Year Ended December 31, 2017**

	2017	2016
REVENUE		
Grants <i>(Note 6)</i>	\$ 412,384	\$ 593,025
Interest	5,531	3,255
Amortization of deferred contributions <i>(Note 7)</i>	2,039	-
Other	832	-
Donations <i>(Note 6)</i>	500	500
	<u>421,286</u>	<u>596,780</u>
EXPENSES		
Salaries and wages	243,607	391,427
Administration <i>(Schedule 1)</i>	77,405	49,402
Professional fees	49,429	52,995
Director and stakeholder support	16,218	41,074
Sub-contracts	12,188	27,972
Rental	8,230	10,332
Insurance	8,002	8,085
Travel	2,979	7,032
Amortization	2,519	480
Training and conferences	709	7,981
	<u>421,286</u>	<u>596,780</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ -</u>	<u>\$ -</u>

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

ALBERTA WATER COUNCIL ASSOCIATION**Statement of Changes in Net Assets****For The Year Ended December 31, 2017**

	Unrestricted Net Assets	Invested in Tangible Capital Assets	2017	2016
NET ASSETS - BEGINNING OF YEAR	\$ 21	\$ 479	\$ 500	\$ 500
Excess (Deficiency) of Revenue over Expenses	479	(479)	-	-
NET ASSETS - END OF YEAR	\$ 500	\$ -	\$ 500	\$ 500

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

ALBERTA WATER COUNCIL ASSOCIATION**Statement of Cash Flows****For The Year Ended December 31, 2017**

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ -	\$ -
Items not affecting cash:		
Amortization of tangible capital assets	2,519	480
Amortization of deferred contributions - tangible capital assets	<u>(2,039)</u>	<u>-</u>
	<u>480</u>	<u>480</u>
Changes in non-cash working capital:		
Accounts receivable	(36,012)	4,655
Accounts payable and accrued liabilities	12,375	(7,621)
Deferred contributions	326,474	(114,725)
Prepaid expenses	350	21
Deferred contributions - tangible capital assets	<u>11,143</u>	<u>-</u>
	<u>314,330</u>	<u>(117,670)</u>
	<u>314,810</u>	<u>(117,190)</u>
INVESTING ACTIVITY		
Purchase of tangible capital assets	<u>(11,143)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH FLOWS	303,667	(117,190)
Cash and cash equivalents - beginning of year	<u>633,271</u>	<u>750,461</u>
CASH AND CASH EQUIVALENTS - END OF YEAR (Note 2)	<u>\$ 936,938</u>	<u>\$ 633,271</u>

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

ALBERTA WATER COUNCIL ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

NATURE OF OPERATIONS

The Alberta Water Council Association (the "Association") is a multi-stakeholder partnership with Members from governments, industry, and non-government organizations, all of whom have a vested interest in water. The Association was created in 2004 under Ministerial Order by Alberta's Minister of Environment and it was incorporated under the *Societies Act* of Alberta on September 21, 2007. The Association monitors implementation of the *Water for Life* strategy and champions achievement of the strategy's goals.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Revenue Recognition

The Association follows the deferral method of accounting for contributions, which include donations and government grants. Restricted contributions are recognized as revenue during 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.

Restricted contributions for the purchase of tangible capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related tangible capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred.

Cash and Cash Equivalents

Cash and cash equivalents include items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have a maturity of one year or less at acquisition.

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution. When a tangible capital asset no longer contributes to the Association's ability to provide services or the value of future economic benefits associated with the tangible capital asset is less than its net book value, the carrying value of the tangible capital asset is reduced to reflect the decline in the asset's value.

Tangible capital assets are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	3 - 6 years	straight-line method
Furniture and fixtures	5 years	straight-line method

The Association regularly reviews its tangible capital assets to eliminate obsolete items.

(continues)

ALBERTA WATER COUNCIL ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

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

Financial Instruments

Measurement of financial instruments

The Association initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instruments.

The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and cash equivalents, and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Association has no financial assets measured at fair value.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no 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 net income.

Measurement Uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management's estimates include the useful lives of tangible capital assets and the corresponding rates of amortization and the amount of accrued liabilities. All estimates are reviewed periodically and adjustments are made to the statements of operations as appropriate in the year they become known.

2. CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
Operating accounts	\$ 36,938	\$ 53,650
Guaranteed Investment Certificates	900,000	579,621
	<u>\$ 936,938</u>	<u>\$ 633,271</u>

Guaranteed Investment Certificates bear interest at a fixed interest rate of 1.00% and mature on November 7, 2018. Cash in the amount of \$200,000 has been designated by the Association for winding down costs.

ALBERTA WATER COUNCIL ASSOCIATION**Notes to Financial Statements****Year Ended December 31, 2017**

3. ACCOUNTS RECEIVABLE

	<u>2017</u>	<u>2016</u>
The Clean Air Strategic Alliance costs sharing	\$ 35,954	\$ -
Goods and Services Tax recoverable	2,060	1,785
Interest receivable	1,332	1,549
	<u>\$ 39,346</u>	<u>\$ 3,334</u>

4. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Computer equipment	\$ 69,121	\$ 64,386	\$ 4,735	\$ 479
Furniture and fixtures	87,558	83,189	4,369	-
	<u>\$ 156,679</u>	<u>\$ 147,575</u>	<u>\$ 9,104</u>	<u>\$ 479</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2017</u>	<u>2016</u>
Trade	\$ 17,331	\$ 9,284
Accrued vacation pay	6,360	2,030
	<u>\$ 23,691</u>	<u>\$ 11,314</u>

ALBERTA WATER COUNCIL ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

6. DEFERRED CONTRIBUTIONS

The purpose of core funding grants is to provide core funding in support of the Association's objectives as detailed in Nature of Operations. The remaining grant funding is intended to continue to fund the Association's operations from January 1, 2017 until March 31, 2018.

The Environment Grant Regulation, under which the grants have been provided, specifies that the grants must either be used for the purposes specified in the grant agreement, be used for different purposes if such different purposes are agreed to by the applicant and the respective Minister, or be returned to the Province of Alberta. Accordingly, in the event the Association does not utilize the funds in pursuit of its objectives, any unexpended grant monies remaining may have to be repaid to the Province of Alberta. The changes in deferred contributions for the year are as follows:

	<u>2017</u>	<u>2016</u>
Balance, Beginning of Year	\$ 631,622	\$ 746,347
Add:		
Government of Alberta (Environment) - core funding	750,000	475,000
Annual dinner	500	500
Canada - Alberta Job Grant	-	3,300
Less:		
Grant revenue recognized to cover expenses during the year	(412,384)	(593,025)
Deferred contributions - tangible capital assets (Note 7)	(11,143)	-
Donation revenue recognized to cover expenses during the year	(500)	(500)
	<u>\$ 958,095</u>	<u>\$ 631,622</u>

Deferred contributions are comprised of the following:

Government of Alberta (Environment) - core funding	\$ 930,872	\$ 604,399
Water Protection Project	25,000	25,000
Water Literacy Project	2,223	2,223
	<u>\$ 958,095</u>	<u>\$ 631,622</u>

7. DEFERRED CONTRIBUTIONS - TANGIBLE CAPITAL ASSETS

	<u>2017</u>	<u>2016</u>
Balance, Beginning of Year	\$ -	\$ -
Government of Alberta (Environment) (Note 6)	11,143	-
Amortization of deferred contributions - tangible capital assets	(2,039)	-
Balance, End of Year	<u>\$ 9,104</u>	<u>\$ -</u>

ALBERTA WATER COUNCIL ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

8. CONTRACTUAL OBLIGATIONS

The Association is committed to an office equipment lease as follows:

2018	\$	4,107
2019		<u>2,054</u>
	\$	<u>6,161</u>

9. ECONOMIC DEPENDENCE

The Association's primary source of revenue is grant funding from the Alberta Government. The Association's ability to continue viable operations is dependent on this funding.

10. TRANSACTIONS WITH THE GOVERNMENT OF ALBERTA

The Government of Alberta provides office space to the Association at no charge under the terms Letter of Understanding between the Government of Alberta and the Association. No amounts have been recognized in the financial statements as the amounts are not readily determinable.

11. FINANCIAL INSTRUMENTS

The Association is not exposed to significant interest, credit, market, currency or other price risk through its financial instruments. The following analysis provides information about the Association's risk exposure and concentration as of December 31, 2017.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its receipt of funds from the Government of Alberta (Environment) and other related sources, and accounts payable and accrued liabilities.

The Association mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise.

ALBERTA WATER COUNCIL ASSOCIATION**Schedule of Administration Expenses****(Schedule 1)****For The Year Ended December 31, 2017**

	2017	2016
Printing and copying	\$ 30,048	\$ 20,590
Information technology	21,859	13,075
Supplies	10,520	1,127
Office	1,309	1,228
Telephone	4,853	5,752
Photocopiers	4,562	4,553
Internet	1,411	1,228
Books, subscriptions, and reference materials	746	789
Team building	704	-
Bank charges	649	753
Administration	464	-
Hospitality	240	-
Books, subscriptions, refrence	39	-
Software	-	307
	\$ 77,404	\$ 49,402

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