



Financial Statements of

**CENTRE FOR AFFORDABLE  
WATER AND SANITATION  
TECHNOLOGY**

(a registered charitable organization, operating as CAWST)

Year ended December 31, 2010

# **INDEPENDENT AUDITORS' REPORT**

## **To the Board of Directors of Centre for Affordable Water and Sanitation Technology**

We have audited the accompanying financial statements of Centre for Affordable Water and Sanitation Technology, which comprise the statement of financial position as at December 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 an 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 our 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, we consider 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 qualified audit opinion.

### **Basis for Qualified Opinion**

In common with many charitable organizations, the Centre for Affordable Water and Sanitation Technology derives part of its revenue from the public in the form of donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Centre for Affordable Water and Sanitation Technology and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses, assets and net assets.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Centre for Affordable Water and Sanitation Technology, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants

Calgary, Canada  
April 21, 2011

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	2010	2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 773,616	\$ 625,797
Term deposits	570,000	570,740
Accounts receivable	54,423	90,331
Prepaid expenses	9,062	5,585
Marketable securities (note 4)	—	7,205
	<u>1,407,101</u>	<u>1,299,658</u>
Property and equipment (note 5)	30,965	46,452
	<u>\$ 1,438,066</u>	<u>\$ 1,346,110</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 113,582	\$ 64,964
Deferred contributions (note 9)	132,145	150,000
	<u>245,727</u>	<u>214,964</u>
Deferred contributions related to property and equipment (note 7)	—	2,840
Net assets	1,192,339	1,128,306
Commitments (note 10)		
	<u>\$ 1,438,066</u>	<u>\$ 1,346,110</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

Michael Raymond Director

Chow Bahk Director

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

## Statement of Operations

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
<b>Revenues:</b>		
Donations (notes 4, 7 and 8)	\$ 1,627,781	\$ 1,616,626
CIDA grant	539,764	443,684
Project consulting	102,961	106,036
Training courses	39,356	26,314
Interest income	3,522	702
	2,313,384	2,193,362
<b>Expenses:</b>		
Salary and benefits	1,237,574	1,099,923
Water expertise and training centers	307,172	274,838
Travel	173,282	176,988
Consulting	153,252	92,410
Office and administration	141,351	146,392
Materials and laboratory supplies	70,908	29,757
Rent and utilities	58,291	62,069
Professional fees	33,600	13,488
Insurance	32,559	26,719
Meals and entertainment	10,486	27,527
Training and conferences	7,394	4,179
Loss (gain) on sale of marketable securities (note 4)	1,842	(2,320)
Depreciation	21,640	27,901
	2,249,351	1,979,871
<b>Excess of revenues over expenses</b>	<b>\$ 64,033</b>	<b>\$ 213,491</b>

See accompanying notes to financial statements.

# **CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY**

## Statement of Changes in Net Assets

Years ended December 31, 2010, with comparative figures for 2009

	2010	2009
Balance, beginning of year	\$ 1,128,306	\$ 914,815
Excess of revenues over expenses	64,033	213,491
Balance, end of year	\$ 1,192,339	\$ 1,128,306

See accompanying notes to financial statements.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

## Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Operating activities:		
Excess of revenues over expenses	\$ 64,033	\$ 213,491
Items not affecting cash flows:		
Depreciation	21,640	27,901
Amortization of deferred contributions	(2,840)	(2,841)
Marketable securities donated	(511,565)	(686,033)
Proceeds on sale of marketable securities	509,723	681,148
(Gain) loss on sale of marketable securities	1,842	(2,320)
	82,833	231,346
Net change in non-cash working capital balances:		
Accounts receivable	35,908	30,367
Prepaid expenses	(3,477)	31
Accounts payable and accrued liabilities	48,618	(1,839)
Deferred contributions	(17,855)	(62,450)
	146,027	197,455
Investing activities:		
Redemption of term deposits	941,003	80,000
Purchase of term deposits	(940,263)	(600,024)
Sale of marketable securities	7,205	-
Purchase of equipment	(6,153)	(6,717)
	1,792	(526,741)
Increase (decrease) in cash and cash equivalents during the year	147,819	(329,286)
Cash and cash equivalents, beginning of year	625,797	955,083
Cash and cash equivalents, end of year	\$ 773,616	\$ 625,797
Supplemental cashflow information:		
Interest received	\$ 3,522	\$ 702

See accompanying notes to financial statements.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements

Year ended December 31, 2010, with comparative figures for 2009

---

## 1. Purpose of the organization:

The Centre for Affordable Water and Sanitation Technology ("CAWST" or "the Centre") was formed to provide technical training and support in water sanitation services for those who serve the poor in developing countries. The Centre was incorporated on October 2, 2001 under the Alberta Societies Act as a not-for-profit organization. The Centre is a not-for-profit organization under Section 149(1) of the Income Tax Act and accordingly, is not subject to income tax. Effective January 1, 2002 the Centre was awarded charitable status for income tax purposes.

## 2. Significant accounting policies:

Management has prepared the Centre's financial statements in accordance with accounting principles generally accepted in Canada, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the valuation allowance for accounts receivable and the useful life of property and equipment for depreciation purposes and evaluation of their net recoverable amount. Consequently, actual results could differ from these estimates. In management's opinion, the financial statements have been properly prepared within the framework of the significant accounting policies summarized below.

### (a) Basis of accounting:

The Centre maintains its accounts using the accrual basis of accounting. Under this method, all revenue is recorded when earned and collection is reasonably assured and expenses are recorded when incurred. The Centre currently has only one fund, the Operating Fund, which is unrestricted and accounts for the Centre's program delivery and administrative activities.

### (b) Cash and cash equivalents:

Cash and cash equivalents includes cash on deposit and short-term investments and term deposits with original maturities of less than three months.

### (c) Term deposits:

Term deposits are recorded at cost and include amounts having original maturity dates greater than three months and less than one year.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 2

Year ended December 31, 2010, with comparative figures for 2009

---

## 2. Significant accounting policies (continued):

### (d) Marketable securities:

Periodically, the Centre receives donations of securities of publicly traded companies. The fair value of these securities will be determined by the closing market price on the day the securities were received and when the securities are unencumbered with respect to any action by Centre.

The fair value attributed to these securities is the value of the donations recognized at the time of the receipt and the value for the initial recognition of the asset on the balance sheet.

It is the intention of the Centre that upon the receipt of such securities that they will be designated as "held for sale" and are to be sold as quickly as possible in an orderly fashion.

After the initial revenue recognition, the securities will be re-measured at their fair value ("marked to market") without any deduction for transaction costs that may be incurred on their future sale. To the extent the fair value changes from the initial fair value recognition, such difference, either positive or negative, shall be recorded as income or as an expense in the income statement with the carrying value of the securities adjusted accordingly on the balance sheet.

### (e) Property and equipment:

Property and equipment is recorded at cost. Donated property and equipment is recognized at fair market value when fair market value at date of contribution can be reasonably estimated. Depreciation is recorded using the straight-line method over the estimated lives of the assets as follows:

---

Computer hardware and software	3 years
Office furniture	10 years
Equipment	5 years
Leasehold improvements	Term of lease – 5 years

---

### (f) Revenue recognition:

The Centre follows the deferral method of accounting for contributions, which include donations, grants and project consulting. Revenue is recognized when collection is reasonably assured. Externally restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 3

Year ended December 31, 2010, with comparative figures for 2009

---

## 2. Significant accounting policies (continued):

### (g) Donated materials and services:

Donations in kind are recorded in the financial statements at fair market value when fair market value can be reasonably estimated. Volunteers contribute substantial donated time and services to assist the Centre in carrying out activities. Because of the difficulty of determining fair market value of these donated services, they are not recorded in these financial statements.

Revenue associated with capital-in-kind asset donations is recognized as donations revenue in amounts that equal the annual depreciation of the capital in-kind asset contribution.

### (h) Foreign currency translation:

Monetary assets and liabilities in foreign currencies are translated to Canadian dollars at rates of exchange in effect at the end of the period. Other assets and liabilities, revenues and expenses are translated at rates of exchange in effect at the respective transaction dates. The resulting exchange gains and losses are included in earnings.

### (i) Financial instruments:

All financial instruments are initially recognized at fair value on the balance sheet date. The Centre has classified each financial instrument into the following categories; held for trading financial assets and liabilities, loans or receivables, held to maturity investments, available for sale financial assets, and other financial liabilities. Subsequent measurement of the financial instruments is based on their classification. Unrealized gains and losses on held for trading financial instruments are recognized in earnings. Gains and losses on available for sale financial assets are recognized in changes in net assets and transferred to earnings when the asset is derecognized. The other categories of financial instruments are recognized at amortized costs using the effective interest rate method.

The Centre has classified cash and cash equivalents, term deposits and marketable securities as held for trading, accounts receivable as loans and receivables, and accounts payable and accrued liabilities as other liabilities.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 4

Year ended December 31, 2010, with comparative figures for 2009

---

## 2. Significant accounting policies (continued):

### (j) Future change in accounting policies:

Prior to January 1, 2012, the Centre will need to choose between two forms of GAAP:

- (i) International Financial Reporting Standards (IFRS), or
- (ii) Accounting Standards for Not-For-Profit organizations (Part III of the CICA Handbook).

The Centre is in the process of assessing the differences between current Canadian GAAP and these two potential alternatives and the potential impact to the financial statements.

## 3. Financial instruments:

### (a) Fair value of financial assets and financial liabilities:

Financial instruments include cash and cash equivalents, term deposits, accounts receivable and accounts payable and accrued liabilities which approximate their carrying value because of the short term nature of these instruments.

### (b) Foreign currency risk:

The Centre is exposed to foreign currency fluctuations as it holds cash denominated in various foreign currencies. A 1% change in foreign exchange rates would impact the cash held in foreign currencies by less than \$60.

### (c) CAWST has exposure to the following risks from its use of financial instruments:

#### (i) Credit risk:

The Centre's exposure to credit risk is on accounts receivable.

Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Cash consists of cash bank balances; the term deposit represents a short-term investment with a Canadian bank. Credit risk for accounts receivable is the risk that the obligation will fail to be discharged causing the Centre to incur a financial loss. Credit risk is minimized by ensuring that term deposits are limited to amounts covered by insurance limits that credit is only extended to those entities that management believes has the financial capacity to pay obligations due to the Centre.

At December 31, 2010, 71% (2009 – 78%) of the Centre's accounts receivable was owed by one entity (2009 – two entities). Subsequent to year end, all accounts receivable have been collected.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 5

Year ended December 31, 2010, with comparative figures for 2009

---

## 3. Financial instruments (continued):

(c) CAWST has exposure to the following risks from its use of financial instruments (continued):

(ii) Liquidity risk:

Liquidity is the risk that the Centre will encounter difficulty in raising donations to meet commitments associated with financial instruments. Management controls liquidity risk through cash flow projections used to forecast funding requirements for its financial instruments.

(iii) Market risk:

Current and future investments are subject to market risk due to changes in the value. Fluctuations in general market interest rates have an impact on investments returns in the term deposits.

Some of the contracts the Centre enters into to deliver programs in foreign countries may be denominated in a foreign currency, primarily the U.S. dollar. Subject to fluctuations in the exchange rates between the Canadian dollar and these currencies could result in changes in the cash and accounts receivable.

## 4. Marketable securities:

During the year, marketable securities were donated to the Centre with a value of \$511,565 (2009 - \$686,033). This amount of \$511,565 (2009 - \$686,033) was recorded in donations revenue. There were no funds designated by donors to cover future expenditures.

During the year, marketable securities were sold for total proceeds of \$509,723 (2009 - \$681,148) resulting in a net loss on disposal of \$1,842 (2009 – a gain of \$2,081).

At the end of 2010 there were no marketable securities held by CAWST prior to disposition. At the end of 2009 there were donated marketable securities not sold which were written up to their fair market value of \$7,205, resulting in a gain since acquisition of \$239.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 6

Year ended December 31, 2010, with comparative figures for 2009

## 5. Property and equipment:

	Cost	Accumulated depreciation	2010 Net book value	2009 Net book value
Computer hardware and software	\$ 129,153	\$ 119,759	\$ 9,394	\$ 11,877
Office furniture	26,211	16,973	9,238	11,859
Equipment	18,290	16,194	2,096	5,690
Leasehold improvements	34,243	24,006	10,237	17,026
	<u>\$ 207,897</u>	<u>\$ 176,932</u>	<u>\$ 30,965</u>	<u>\$ 46,452</u>

## 6. Calgary Foundation Pooled Endowment Fund Held in Perpetuity:

On April 9, 2008, pursuant to a resolution of CAWST's Board of Directors, CAWST established a pooled endowment investment fund ("the Fund"). The Fund is administered by the Calgary Foundation with all capital contributions to the Fund to be held in perpetuity by the Calgary Foundation. The purpose of the Fund is to provide income to CAWST by way of pooled income generated by the Calgary Foundation. The capital contribution to the Fund has not been recorded in CAWST's financial statements. As at December 31, 2010, the Fund totaled \$4,730 (2009 - \$4,642), with initial value of \$5,000 less the decline in market value to December 31, 2010. During 2010, CAWST received \$235 (2009 - \$197) included in interest income.

## 7. Deferred contributions related to property and equipment:

Deferred contributions related to property and equipment included the unamortized portion of externally restricted contributions received for the purchase of property and equipment. The amortization of deferred contributions is recorded as donations revenue in the statement of operations.

	2010	2009
Balance, beginning of year	\$ 2,840	\$ 5,681
Amounts amortized to donation revenue	(2,840)	(2,841)
Balance, end of year	<u>\$ -</u>	<u>\$ 2,840</u>

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 7

Year ended December 31, 2010, with comparative figures for 2009

---

## 8. Related party transactions:

- (a) During the years ended December 31, 2010 and 2009, the Centre's Chief Executive Officer donated all time and services relating to this full time position. During 2010 and 2009 the spouse of the Centre's Chief Executive Officer worked for the Centre as its Interim Director, Research Learnings. He donated all time and services relating to this full time position.
- (b) During the year ended December 31, 2010, the Centre received cash donations of \$32,749 (2009 - \$47,385), donated marketable securities of \$157,763 (2010 - \$292,889) and in kind donations of \$5,988 (2009 - \$9,117) from related parties. These transactions were from certain directors in the amount of \$93,165 (2009 - \$249,002) and from the Chief Executive Officer and Director, Research Learnings in the amount of \$103,335 (2009 - \$100,389). These donations are accounted for in accordance with the Centre's policies.

## 9. Deferred contributions:

Deferred contributions are comprised of amounts that have been donated and the use of such funds is restricted by the donor. The restricted funds may be used by the Centre to cover expenditures in a future year or years, for use in a specific country or countries, for a specific project or projects or any combination of these uses.

At the end of the year deferred contributions was comprised of the following amounts:

	2010	2009
Canadian International Development Agency ("CIDA") (note 10(b))	\$ 132,145	\$ -
Canadian Corporations	-	150,000
	\$ 132,145	\$ 150,000

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 8

Year ended December 31, 2010, with comparative figures for 2009

---

## 10. Commitments:

- (a) During 2007, the Centre renewed its lease for the rental of premises for a five year period commencing June 1, 2007. Under the lease the annualized rent is subject to adjustments for operating costs. The annual rental expense is \$51,213 and expires May 31, 2012.
- (b) On October 9, 2008, CAWST signed a multi-year agreement with CIDA toward the implementation of a program entitled "Water for Community Health" in Zambia, India and Haiti with a total Direct Program cost of \$1,699,823. Under the terms of the agreement CIDA will contribute 75% of the cost incurred by CAWST which amount to \$1,274,867. CAWST's 25% contribution will amount to \$424,956. In addition, CIDA will contribute \$152,984 to CAWST, which is 12% of the \$1,274,867, as a reimbursement of administrative overhead.

CAWST had no balance in deferred contributions at the start of 2010. During 2010, CIDA advanced CAWST \$713,168 (2009 - \$289,974) for a total of \$1,174,894 program grants to date. CAWST recognized program expenditures of \$539,764 (2009 - \$443,684) in 2010 for program implementation costs of \$1,042,749 to date. As at December 31, 2010, CAWST had a balance of \$132,145 (note 9) in deferred contributions which was the difference between funds advanced from CIDA and expenditures incurred to date. The remaining 2011 commitment under the CIDA agreement is \$232,118.

- (c) Under the terms of a one-year water expertise and training centre agreement in Nepal commencing on April 1, 2010, the Centre has committed \$63,038. As at December 31, 2010, the Centre has advanced \$25,054 under this agreement, with \$25,054 included in water expertise and training centre expenses during the year.

## 11. Capital management:

The Centre's objectives, policies and processes for managing capital include maximizing interest earned on donation cash proceeds. All cash donations are deposited in the general account and excess funds in term deposits. The Centre annually budgets its spending and monitors its net assets, primarily cash reserves, on a month basis as a key capital management measure.

The Centre does not have any externally imposed capital requirements.

## 12. Revenue and expenses:

The Centre has an employee medical benefits program. The employee contributions are matched by CAWST up to 100% of employee contributions. The Centre contribution in 2010 was \$20,846 (2009 - \$16,846) and is included in salary and benefits expense.