

Financial Statements of

**CENTRE FOR AFFORDABLE  
WATER AND SANITATION  
TECHNOLOGY**

(a registered charitable organization, operating as CAWST)

Year ended December 31, 2015



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## **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, 2015, 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 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 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 audit opinion.



## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Centre for Affordable Water and Sanitation Technology as at December 31, 2015, 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.

*KPMG LLP*

Chartered Professional Accountants

April 28, 2016  
Calgary, Canada

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

## Statement of Financial Position

December 31, 2015, with comparative information for 2014



	2015	2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,355,399	\$ 427,020
Term deposits (note 4)	6,786,275	3,267,000
Accounts receivable	83,877	115,920
Government sales tax receivable	9,510	7,016
Prepaid expenses	39,557	30,324
	8,274,618	3,847,280
Term deposits (note 4)	3,711,425	7,800,000
Property and equipment (note 5)	105,937	95,471
	\$ 12,091,980	\$ 11,742,751

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 167,175	\$ 265,252
Government payroll tax payable	23,439	24,757
Deferred contributions (note 8)	4,349,144	3,786,986
	4,539,758	4,076,995
Deferred contributions (note 8)	5,927,073	6,144,643
	10,466,831	10,221,638
Net assets	1,625,149	1,521,113
Commitments (note 10)		
	\$12,091,980	\$ 11,742,751

See accompanying notes to financial statements.

Approved on behalf of the Board:

 _____	Director
 _____	Director

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

## Statement of Operations

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
<b>Revenues:</b>		
Donations (notes 6 and 9)	\$ 3,822,470	\$ 3,175,712
DFATD grant	1,040,654	1,739,610
Interest income	166,504	136,189
Training courses	19,141	7,096
Project consulting	5,047	21,649
	5,053,816	5,080,256
<b>Expenses:</b>		
Salary and benefits (note 11)	2,653,795	2,431,955
Water expertise and training centers	851,669	1,043,771
Consulting	537,080	369,560
Travel	318,937	302,422
Office and administration	203,029	267,967
Rent and utilities	193,699	200,525
Insurance	43,052	41,678
Professional fees	38,150	36,000
Loss (gain) on sale of marketable securities (note 6)	21,803	(15,574)
Training and conferences	19,957	19,774
Materials and laboratory supplies	14,076	9,009
Meals and entertainment	1,364	1,101
Depreciation	53,169	37,879
	4,949,780	4,746,067
<b>Excess of revenues over expenses</b>	<b>\$ 104,036</b>	<b>\$ 334,189</b>

See accompanying notes to financial statements.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

## Statement of Changes in Net Assets

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Balance, beginning of year	\$1,521,113	\$ 1,186,924
Excess of revenues over expenses	104,036	334,189
Balance, end of year	\$1,625,149	\$ 1,521,113

See accompanying notes to financial statements.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

## Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 104,036	\$ 334,189
Proceeds on sale of marketable securities	3,231,743	3,282,082
Items not affecting cash flows:		
Depreciation	53,169	37,879
Marketable securities donated	(3,253,546)	(3,266,508)
Loss (gain) on sale of marketable securities	21,803	(15,574)
	157,205	372,068
Net change in non-cash working capital balances:		
Accounts receivable	32,263	(78,254)
Government sales tax receivable	(2,494)	(1,284)
Prepaid expenses	(9,233)	70,173
Accounts payable and accrued liabilities	(96,780)	110,099
Government payroll tax payable	(2,835)	10,364
Deferred contributions	344,588	1,055,538
	422,714	1,538,704
Investing activities:		
Purchase of property and equipment	(63,635)	(96,154)
Purchase of term deposits	(3,763,545)	(12,071,888)
Redemption of term deposits	4,332,845	8,762,345
	505,665	(3,405,697)
Increase in cash and cash equivalents	928,379	(1,866,993)
Cash and cash equivalents, beginning of year	427,020	2,294,013
Cash and cash equivalents, end of year	\$ 1,355,399	\$ 427,020

See accompanying notes to financial statements.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements

Year ended December 31, 2015, with comparative information for 2014

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## 1. Purpose of the organization:

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

## 2. Significant accounting policies:

Management has prepared CAWST's financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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:

CAWST 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. CAWST 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, 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 if classified as current and having maturities dates greater than one year if classified as long term.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 2

Year ended December 31, 2015, with comparative information for 2014

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## 2. Significant accounting policies (continued):

### (d) Marketable securities:

Periodically, CAWST receives donations of securities of publicly traded companies. The fair value of these securities is determined by the closing market price on the day the securities were received and when the securities are freely tradeable by CAWST.

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, is recorded as income or as an expense in the statement of operations 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:

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

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The Company reviews for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be reasonable and exceeds its fair value.

### (f) Revenue recognition:

CAWST 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 are deferred and recognized as revenue 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, 2015, with comparative information for 2014

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## 2. Significant accounting policies (continued):

### (g) Donated materials and services:

Donations in kind are recorded in the financial statements at fair market value when the fair market value can be reasonably estimated. Volunteers contribute substantial donated time and services to assist CAWST 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 the statement of operations.

### (i) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. CAWST has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, CAWST determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount CAWST expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 4

Year ended December 31, 2015, with comparative information for 2014

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## 3. Financial instruments:

### (a) Foreign currency risk:

CAWST 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 approximately \$3,000.

### (b) Credit risk:

CAWST's exposure to credit risk is on cash, cash equivalents, term deposits and 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 and bank balances; the term deposits represent investments with a Canadian financial institution. Credit risk for accounts receivable is the risk that the obligation will fail to be discharged causing CAWST to incur a financial loss. Credit risk is minimized by ensuring that cash and term deposits are limited to amounts covered by insurance limits and are placed with reputable Canadian Chartered banks. Credit is only extended to those entities that management believes have the financial capacity to pay obligations due to CAWST.

### (c) Liquidity risk:

Liquidity is the risk that CAWST 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 and through maintaining financial reserves.

### (d) Interest rate risk:

CAWST's exposure to interest rate risk is limited to fluctuations in the interest rate related to their investments in term deposits.

## 4. Term deposits:

Current term deposits mature between January 14, 2016 and December 17, 2016 and bear interest at rates ranging from 0.949% to 1.6%.

Term deposits classified as long term mature between January 2, 2017 and June 30, 2017 and bear interest at rates ranging from 1.65% to 1.70%.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 5

Year ended December 31, 2015, with comparative information for 2014

## 5. Property and equipment:

			2015	2014
	Cost	Accumulated depreciation	Net book value	Net book value
Computer hardware and software	\$ 244,626	\$ 220,234	\$ 24,392	\$ 46,448
Office furniture	59,443	32,103	27,340	24,744
Leasehold improvements	117,091	62,886	54,205	24,279
	\$ 421,160	\$ 315,223	\$105,937	\$ 95,471

## 6. Marketable securities:

During the year, marketable securities were donated to CAWST with a value of \$3,253,546 (2014 - \$3,266,508). During the year, marketable securities of \$117,884 (2014 - \$144,108) was recorded in donations revenue. There were \$5,927,073 (2014 - \$6,144,643) of marketable securities designated by donors to cover future expenditures which are included in deferred contributions as at December 31, 2015.

During the year, marketable securities were sold for total proceeds of \$3,231,743 (2014 - \$3,282,082) resulting in a net loss on disposal of \$21,803 (2014 – gain of \$15,574).

At the end of 2015 and 2014, there were no marketable securities held by CAWST.

## 7. 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, 2015, the Fund totaled \$5,782 (2014 - \$5,529), with initial value of \$5,000 plus the change in market value to December 31, 2015. During 2015, CAWST received \$233 (2014 - \$218) included in interest income.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 6

Year ended December 31, 2015, with comparative information for 2014

## 8. 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 CAWST to cover certain 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.

For the years ended December 31, the deferred contribution balance change is as follows:

	2015	2014
Beginning of year	\$ 9,931,629	\$ 8,876,091
Add amounts received related to future years	4,352,665	4,797,119
Less amounts recognized as revenue in the year	4,008,077	3,741,581
	<b>\$10,276,217</b>	<b>\$ 9,931,629</b>

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

	2015	2014
Current:		
2011 Department of Foreign Affairs Trade and Development ("DFATD") agreement (note 10(a))	\$ -	\$ 104,617
Individuals	4,127,017	3,510,000
Corporations	222,127	172,369
	4,349,144	3,786,986
Restricted for future years:		
Individuals	5,927,073	6,144,643
	<b>\$10,276,217</b>	<b>\$ 9,931,629</b>

Deferred contributions from corporations are comprised of the following:

(a) The Reed Elsevier Foundation (the "Foundation"):

In 2012, CAWST received a research grant for winning first prize in the Reed Elsevier Environmental Challenge of \$49,185 (USD\$50,000) for related expenditures. CAWST will be working with the University of Illinois at Urbana-Champaign (UIUC) and the Environment and Public Health Organization (ENPHO) to complete the research. As at December 31, 2015, CAWST had a balance of \$nil (2014 - \$2,989) in deferred contributions which was the difference between funds advanced from the Foundation and expenditures incurred to date.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

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Year ended December 31, 2015, with comparative information for 2014

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## 8. Deferred contributions (continued):

### (b) The CISCO Foundation:

In 2015, CAWST received a grant for its Virtual WET Centre of \$nil (2014-USD \$164,325). During 2015, CAWST recognized \$61,701 (2014 - \$102,624) for related program expenditures. As at December 31, 2015, CAWST had a balance of \$nil (2014 - \$61,701) in deferred contributions.

### (c) The Suncor Energy Foundation:

In 2015, CAWST received a payment for its Virtual WET Centre grant of \$nil (2014 - \$100,000). During 2015, CAWST recognized \$83,377 (2014 - \$166,623) for related program expenditures. As at December 31, 2015, CAWST had a balance of \$nil (2014 - \$83,377) in deferred contributions.

### (e) The Calgary Foundation:

In 2015, CAWST received a grant of \$50,000 for Wavemakers program expenditures. As at December 31, 2015, CAWST recognized \$26,613 for related program expenditure. As at December 31, 2015, CAWST had a balance of \$23,387 (2014 - \$nil) in deferred contributions.

### (f) The Gates Foundation (NIUA):

In 2015, CAWST received a grant for provision of technical support to the Urban Sanitation Capacity Platform with commencement in December 2015, and completion in October 2018. CAWST received \$203,985 (USD 150,000) in 2015. During 2015, CAWST recognized \$5,245 for related program expenditures. As at December 31, 2015, CAWST had a balance of \$198,740 in deferred contributions.

## 9. Related party transactions:

During the year, the Chair of the Board donated shares in the amount of \$3,135,663 (2014 - \$3,122,400) and donated cash of \$nil (2014 - \$ 7,000).

During the year, CAWST received cash donations of \$34,080 (2014 - \$54,133) and donated marketable securities of \$42,184 (2014 - \$42,015) from other directors.

During the year, CAWST received cash donations of \$1,000 (2014 - \$1,000) from the Chief Executive Officer.

These donations are accounted for in accordance with CAWST's accounting policies.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 8

Year ended December 31, 2015, with comparative information for 2014

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## 10. Commitments:

- (a) On December 1, 2011, CAWST signed a multi-year agreement with Canadian International Development Agency (now Department of Foreign Affairs, Trade and Development "DFATD") toward the implementation of a program entitled "Water, Sanitation & Hygiene for Health" in Afghanistan, Cambodia, Cameroon, Ethiopia, Haiti, Laos, Nepal and Zambia with a total direct program cost of \$6,856,411. Under the terms of the agreement DFATD contributed 75% of the cost incurred by CAWST to a maximum of \$5,142,308. CAWST's 25% contribution amounts to \$1,714,103. In addition, DFATD contributed \$617,077 to CAWST, which is 12% of the \$5,142,308, as a reimbursement of overhead cost.

During 2015, DFATD advanced CAWST a total of \$936,035 (2014 - \$1,216,404). CAWST recognized revenue of \$1,040,652 (2014 - \$1,739,610) for DFATD's 75% portion of direct program costs and the 12% of reimbursable overhead costs to a total of \$139,480 (2014 - \$182,948) for the year. As at December 31, 2015, CAWST had a balance of \$nil (2014 - \$104,617) in deferred contributions which was the difference between funds advanced from DFATD and revenues recognized to date. The remaining DFATD commitment to be advanced to CAWST under the agreement is \$nil. During 2015, the commitment was fulfilled and the program has been completed.

- (b) CAWST signed a lease agreement for a period of four years and eight months, less one day, commencing on November 1, 2013 and expiring June 30, 2018. Under the agreement, the annualized rent is fixed and includes utilities. The annual rental expense is \$192,000.

The minimum lease payments over the next three years are as follows:

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2016	\$ 192,000
2017	192,000
2018	96,000
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	\$ 480,000

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- (c) During 2014, CAWST signed a two-year Water Expertise Training Center agreement with Pure Water For the World in Honduras commencing on January 1, 2014 and ending on December 31, 2015. CAWST has committed \$200,000. As of December 31, 2015, the Centre has advanced \$82,890 (2014 - \$25,880) and accrued expenses \$111,852 (2014 - \$43,104) under this agreement, which has been included in Water Expertise and Training Centre expenses during the year.

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

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Year ended December 31, 2015, with comparative information for 2014

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## **11. Salary and benefits:**

CAWST has an employee medical benefits program. The cost of the premiums is shared by the employees and by CAWST. CAWST's portion of the premiums in 2015 was \$32,883 (2014 - \$27,861) and is included in the salary and benefits expense.

CAWST has implemented a Group Saving Plan whereby CAWST provides a match based on the employee's contribution into the plan. CAWST's contribution to the plan in 2015 was \$51,971 (2014- \$22,336) and is included in the salary and benefits expense.

## **12. Comparative information:**

Certain comparative information has been reclassified to be consistent with current year presentation.