

Centre for Affordable Water and Sanitation Technology

(a registered charitable organization, operating as CAWST)

Financial Statements

December 31, 2023

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Centre for Affordable Water and Sanitation Technology (the "Centre"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at December 31, 2023, 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.

Basis for Opinion

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 Centre 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 opinion.

Other Matter

The financial statements of the Centre for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on May 4, 2023.

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 Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre'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 Centre'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 Centre'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 Centre 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.

RSM Canada LLP

Chartered Professional Accountants
June 4, 2024
Calgary, Alberta

Centre for Affordable Water and Sanitation Technology

(a registered charitable organization, operating as CAWST)

Statement of Financial Position

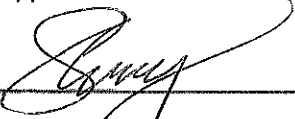
December 31, 2023

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 1,145,390	\$ 3,677,182
Term deposits (note 3)	13,400,000	8,015,541
Accounts receivable	300,889	183,079
Goods and services tax receivable	10,113	12,273
Prepaid expenses	<u>157,337</u>	<u>133,108</u>
	15,013,729	12,021,183
Tangible capital assets (note 4)	123,788	172,436
Investments (note 6)	<u>18,839,212</u>	<u>16,866,267</u>
	<u>\$ 33,976,729</u>	<u>\$ 29,059,886</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 342,913	\$ 396,362
Deferred contributions (notes 5 and 7)	<u>5,920,420</u>	<u>5,574,522</u>
	6,263,333	5,970,884
Deferred contributions (notes 5 and 7)	24,487,504	20,171,626
Other liabilities	<u>3,538</u>	<u>4,413</u>
	30,754,375	26,146,923
Net assets	<u>3,222,354</u>	<u>2,912,963</u>
	<u>\$ 33,976,729</u>	<u>\$ 29,059,886</u>

Commitments (note 9)

See accompanying notes to the financial statements.

Approved on behalf of the Board of Directors,



Director



Director

Centre for Affordable Water and Sanitation Technology

(a registered charitable organization, operating as CAWST)

Statement of Operations and Net Assets

Year Ended December 31, 2023

	2023	2022
Revenues		
Donations (notes 5, 7 and 8)	\$ 4,773,214	\$ 5,118,473
Grant revenue (note 7)	1,018,524	955,199
Government assistance	-	92,114
	<u>5,791,738</u>	<u>6,165,786</u>
Expenses		
Salary and benefits	4,769,884	4,355,738
Training partners	902,632	841,556
Consulting	679,012	649,108
Office and administration	637,382	547,099
Travel	579,343	388,713
Rent and utilities	225,907	205,959
Professional fees	81,013	72,932
Training and conferences	77,573	29,120
Depreciation	76,144	49,915
Insurance	41,232	27,437
Hospitality	-	753
	<u>8,070,122</u>	<u>7,168,330</u>
Deficiency of revenues over expenses before other items	<u>(2,278,384)</u>	<u>(1,002,544)</u>
Other items		
Unrealized gain (loss) on investments	1,430,934	(2,129,780)
Gain on sale of marketable securities (note 5)	1,673	26,919
Foreign exchange gain	7,166	91,948
Interest and dividend income	1,148,002	829,391
Loss on sale or disposal of tangible capital assets	-	(153)
Brokerage fees	-	(12,533)
	<u>2,587,775</u>	<u>(1,194,208)</u>
Excess (deficiency) of revenues over expenses	309,391	(2,196,752)
Net assets, beginning of year	<u>2,912,963</u>	<u>5,109,715</u>
Net assets, end of year	<u>\$ 3,222,354</u>	<u>\$ 2,912,963</u>

See accompanying notes to the financial statements.

Centre for Affordable Water and Sanitation Technology

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Statement of Cash Flows

Year Ended December 31, 2023

	2023	2022
Cash provided by (used in):		
Operating activities		
Excess (deficiency) of revenues over expenses	\$ 309,391	\$ (2,196,752)
Proceeds on sale of marketable securities	3,049,455	4,082,032
Add (deduct) items not affecting cash		
Depreciation	76,144	49,915
Marketable securities donated (note 5)	(3,047,782)	(4,055,110)
Gain on sale of marketable securities (note 5)	(1,673)	(26,919)
Unrealized (gain) loss on investments	<u>(1,430,934)</u>	<u>2,129,780</u>
	<u>(1,045,399)</u>	<u>(17,054)</u>
Changes in non-cash working capital		
Accounts receivable	(117,810)	433,677
Goods and services tax receivable	2,160	(248)
Prepaid expenses	(24,229)	34,746
Accounts payable and accrued liabilities	(53,449)	91,300
Other liabilities	(875)	4,413
Deferred contributions	<u>4,661,776</u>	<u>1,737,443</u>
	<u>4,467,573</u>	<u>2,301,331</u>
	<u>3,422,174</u>	<u>2,284,277</u>
Investing activities		
Purchase of tangible capital assets	(27,496)	(165,213)
Purchase of term deposits	(21,600,000)	(15,015,541)
Purchase of investments	(542,011)	(522,597)
Redemption of term deposits	<u>16,215,541</u>	<u>14,007,504</u>
	<u>(5,953,966)</u>	<u>(1,695,847)</u>
Increase (decrease) in cash	(2,531,792)	588,430
Cash, beginning of year	<u>3,677,182</u>	<u>3,088,752</u>
Cash, end of year	<u>\$ 1,145,390</u>	<u>\$ 3,677,182</u>

Non-cash transactions (note 5)

See accompanying notes to the financial statements.

Centre for Affordable Water and Sanitation Technology

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Notes to Financial Statements

December 31, 2023

1. Purpose of the organization

The Centre for Affordable Water and Sanitation Technology (the "Centre" or CAWST) was formed to provide technical training and support and develop the capacity of local organizations to meet their communities' water, sanitation and hygiene needs. CAWST was incorporated on October 2, 2001 under the *Alberta Societies Act* as a not-for-profit organization. Effective January 1, 2002, CAWST became a registered charity under Section 149(1) of the *Income Tax Act* and accordingly, is not subject to income tax.

2. Summary of significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following accounting policies:

(a) 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 maturity dates greater than one year if classified as long term.

(b) 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 tradable by CAWST.

(c) Tangible capital assets

Tangible capital assets are recorded at cost. Donated tangible capital assets are recognized at fair market value when fair market value at date of contribution can be reasonably estimated. If fair market value cannot be reasonably estimated, it is recognized at nominal value. 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	
Leasehold improvements	5 years	(term of lease)

When conditions indicate a tangible capital asset is impaired, the carrying value of the tangible capital asset is written down to the asset's fair value or replacement cost. The write-down of the tangible capital asset is recorded as an expense in the statement of operations. A write-down shall not be reversed.

(d) Revenue recognition

CAWST follows the deferral method of accounting for contributions, which include donations and grants. 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.

Restricted contributions for the purchase of tangible capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired tangible capital assets.

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Notes to Financial Statements

December 31, 2023

2. Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

Government assistance relating to expenses of the period is recognized as revenue and recorded as government assistance on the statements of operations.

Realized investment gains (losses) are recorded on a settlement date basis. Any unrealized gains (losses) are reflected as unrealized gain (loss) on investments in the statement of operations. Interest earned on investments is recorded on an accrual basis.

(e) 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 and they would otherwise have been purchased. 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.

(f) 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.

(g) Use of estimates

The preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Actual results could differ from those estimates. Management reviews these estimates on a periodic basis and, if required, makes adjustments prospectively.

(h) Financial instruments

Measurement

Financial instruments are financial assets or financial liabilities of the Centre where, in general, the Centre has the right to receive cash or another financial asset from another party or the Centre has the obligation to pay another party cash or other financial assets.

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

The Centre subsequently measures its financial assets and financial liabilities, which are not measured at fair value at each statement of financial position date, at amortized cost.

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

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

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Notes to Financial Statements

December 31, 2023

2. Summary of significant accounting policies (continued)

(h) Financial instruments (continued)

The Centre's financial assets measured at fair value at each statement of financial position date include a portfolio of fixed income and equity investments with quoted shares/units in an active market.

The Centre accounts for regular purchases and sales of financial assets using trade date accounting.

Transaction costs

Transaction costs and financing fees are expensed as incurred for financial instruments measured at fair value and capitalized for financial instruments that are subsequently measured at cost or amortized cost.

The Centre recognizes its transaction costs in excess (deficiency) of revenues over expenses in the period incurred for its equity investments and all other financial assets and liabilities subsequently measured at fair value. Financial instruments, that are subsequently measured at cost or amortized cost, are adjusted by the transaction costs and financing fees that are directly attributable to their origination, issuance, or assumption.

Impairment

Financial assets measured at cost or amortized cost are tested for impairment, at the end of each year, to determine whether there are indicators that the asset may be impaired. The amount of the write-down, if any, is recognized in excess (deficiency) of revenues over expenses. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in operations.

3. Term deposits

The term deposits are held in guaranteed investment certificates with a major Canadian Chartered Bank. These deposits mature between June 26, 2024, and September 20, 2024 and bear interest at rates ranging from 5.5% - 5.7% (2022 - 2.4% to 4.9%).

4. Tangible capital assets

	Cost	Accumulated Amortization	Net Book Value	
			2023	2022
Computer hardware and software	\$ 341,689	\$ 235,370	\$ 106,319	\$ 147,523
Office furniture	77,346	67,245	10,101	15,168
Leasehold improvements	<u>19,684</u>	<u>12,316</u>	<u>7,368</u>	<u>9,745</u>
	<u>\$ 438,719</u>	<u>\$ 314,931</u>	<u>\$ 123,788</u>	<u>\$ 172,436</u>

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5. Marketable securities

During the year, marketable securities were donated to CAWST with a value of \$3,047,782 (2022 - \$4,055,110). Marketable securities were sold for total proceeds of \$3,049,455 (2022 - \$4,082,032) resulting in a gain on disposal of \$1,673 (2022 - \$26,919). During the year, \$447,748 (2022 - \$505,215) was recorded in donations revenue and \$2,600,034 (2022 - \$3,549,895) was designated by donors to cover future expenditures and was recorded in deferred contributions. Refer to note 8 for transactions with related parties.

6. Investments

CAWST's investments consist of the following:

	2023		2022	
	Cost	Fair value	Cost	Fair value
Money market	\$ 241,417	\$ 240,656	\$ 50,660	\$ 50,660
Fixed income	5,757,019	5,557,212	5,372,003	4,623,269
Equities:				
Canada	4,468,873	4,774,529	4,591,114	4,593,761
United States	3,434,285	3,754,353	3,692,038	3,576,750
International	<u>4,394,060</u>	<u>4,512,462</u>	<u>4,417,245</u>	<u>4,021,827</u>
	<u>\$ 18,295,654</u>	<u>\$ 18,839,212</u>	<u>\$ 18,123,060</u>	<u>\$ 16,866,267</u>

7. 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 year ended December 31, 2023, the deferred contribution balance change is as follows:

	2023	2022
Beginning of year	\$ 25,746,148	\$ 24,008,706
Add: amounts received in the year	8,663,142	6,413,964
Less: amounts recognized as revenue in the year	<u>(4,001,366)</u>	<u>(4,676,522)</u>
	<u>\$ 30,407,924</u>	<u>\$ 25,746,148</u>

At the end of the year, deferred contributions were comprised of the following amounts:

	2023	2022
Current:		
Individuals	\$ 5,700,000	\$ 4,995,386
Organizations	<u>220,420</u>	<u>579,136</u>
	5,920,420	5,574,522
Long-term:		
Individuals	<u>24,487,504</u>	<u>20,171,626</u>
	<u>\$ 30,407,924</u>	<u>\$ 25,746,148</u>

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December 31, 2023

7. Deferred contributions (continued)

Deferred contributions from individuals at the end of the year include deferred contributions of \$30,187,504 (2022 - \$25,171,625) from the Chair of the Board.

Deferred contributions from Organizations include balances of funds received from organizations which have not yet been recognized as revenue. Some of the key funders supporting CAWST during 2023 include, but are not limited to, Global Affairs Canada, Bill & Melinda Gates Foundation, Peter Gilgan Foundation and the US Bureau for Humanitarian Assistance.

8. Related party transactions

During the year, the Chair of the Board donated marketable securities in the amount of \$2,600,034 (2022 - \$3,549,895) and donated cash of \$5,400,000 (2022 - \$1,825,000).

During the year, CAWST received cash donations of \$533,816 (2022 - \$51,400) and donated marketable securities of \$NIL (2022 - \$24,079) from other directors and executives.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

9. Commitments

CAWST has a lease agreement for the premises expiring on February 28, 2027. The minimum lease payments are as follow:

2024	\$ 136,840
2025	137,990
2026	149,489
2027	<u>25,298</u>
	<u>\$ 449,617</u>

10. Fundraising activities

To comply with the disclosure requirement of the *Alberta Charitable Fundraising Act* fundraising expenses incurred during fiscal year 2023 were \$167,680 (2022 - \$146,896).

11. Financial Instruments

The Centre is exposed to the following significant financial risks:

(a) Credit risk

CAWST's exposure to credit risk is on cash, investments, term deposits and accounts receivable.

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Notes to Financial Statements

December 31, 2023

11. Financial instruments (continued)

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 and term deposits represent guaranteed investment certificates 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 large Canadian Chartered Banks. Credit is only extended to those entities that management believes have the financial capacity to pay obligations due to CAWST. Credit risk on investments is minimized by ensuring that the investments are diversified across different classes of assets and such investments are managed by a professional investment manager.

Management and the Board of Directors periodically review its investments to ensure that the credit risk assumed is appropriate. ~

(b) Liquidity risk

Liquidity risk is the risk that CAWST may encounter difficulty in raising donations to meet commitments associated with financial instruments and its obligations. CAWST manages its liquidity risk by monitoring its operating requirements. CAWST continues to prepare budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(c) Market risk

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

(i) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. CAWST is exposed to other price risk through its investments quoted on an active market.

(ii) 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 and investments.

(iii) Foreign currency risk

CAWST is exposed to foreign currency fluctuations as it holds cash and investment denominated in various foreign currencies. The Centre does not enter into any hedging arrangements.

There has been no change to the risk exposures from 2022.