

Lifewater Canada
Financial Statements
For the year ended June 30, 2017

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Independent Auditor's Report

To the Members Lifewater Canada

We have audited the accompanying financial statements of Lifewater Canada, which comprise the statement of financial position as at June 30, 2017, and the statements of operations and 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.

Auditor's 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 auditor's 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 qualified audit opinion.

Independent Auditor's Report (cont'd)

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Lifewater Canada derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the organization. We were unable to determine whether any adjustments might be necessary to revenues, excess of revenue over expenditures, and cash flows from operations for the years ended June 30, 2017 and 2016, current assets as at June 30, 2017 and 2016 and net assets as at July 1 and June 30 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended June 30, 2016 was modified accordingly because of the possible effects of this limitation of scope.

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 Lifewater Canada as at June 30, 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario
September 21, 2017

Lifewater Canada Statement of Financial Position

June 30	2017	2016
Assets		
Current		
Cash (Note 2)	\$ 86,280	\$ 117,526
Short term investments (Note 3)	118,165	116,121
	\$ 204,445	\$ 233,647
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ -	\$ 15,933
Net assets	204,445	217,714
	\$ 204,445	\$ 233,647

On behalf of the Board:

Jim Gehrels

Director

Don Harmon

Director

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

Lifewater Canada

Statement of Operations and Net Assets

For the year ended June 30	2017	2016
Revenue		
Donations		
Individual	\$ 432,734	\$ 374,402
Corporate	61,707	62,219
Foundations	96,819	107,849
Church and schools	86,135	91,954
Gifts in kind	36,898	70,828
International	42,237	82,882
Interest income	2,119	322
Foreign exchange	(4,240)	2,244
	754,409	792,700
Expenditure		
Administrative expenses	29,862	37,471
Fundraising	26,263	19,537
Health and hygiene	22,700	21,222
Infrastructure improvements	109,973	235,330
Tank catchment systems	10,539	-
Pump repair program	16,614	24,835
Sanitation	9,908	16,990
Training and education	74,172	111,630
Well construction	434,843	412,130
Well rehabilitation	32,804	11,858
	767,678	891,003
Deficiency of revenue over expenditure for the year	(13,269)	(98,303)
Net assets, beginning of year	217,714	316,017
Net assets, end of year	\$ 204,445	\$ 217,714

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

Lifewater Canada Statement of Cash Flows

For the year ended June 30	2017	2016
Cash flows from operating activities		
Deficiency of revenue over expenditure for the year	\$ (13,269)	\$ (98,303)
Change in non-cash working capital balances		
Accounts payable and accrued liabilities	(15,933)	(18,080)
	(29,202)	(116,383)
Cash flows from investing activities		
Purchase of short term investments	(2,044)	(222)
Decrease in cash for the year	(31,246)	(116,605)
Cash, beginning of year	117,526	234,131
Cash, end of year	\$ 86,280	\$ 117,526

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

Lifewater Canada

Notes to Financial Statements

June 30, 2017

1. Significant Accounting Policies

The following is a summary of significant accounting policies of the Organization:

a) Basis of Accounting

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations. These standards use the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

b) Nature and Purpose of Organization

Lifewater Canada is a non-profit organization incorporated under the Canada Not-for-Profit Corporations Act without share capital. The Organization is a registered charity under the Income Tax Act and is exempt from income taxes. The Organization's mission is to train and equip people in Africa and Haiti to provide safe drinking water and improve sanitation. Lifewater Canada arranges water and sanitation project sponsorship which saves children's lives and increases educational opportunities for women and young girls.

c) Revenue Recognition

Lifewater Canada recognizes revenue from donations as received. Restricted contributions are recognized as revenue in the year in which the related expenditures 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.

d) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, any equities traded in an active market are reported at fair value, with any unrealized gains or losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Lifewater Canada Notes to Financial Statements

June 30, 2017

1. Significant Accounting Policies (cont'd)

e) Use of Estimates

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 reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Significant estimates in these financial statements include accounts payable and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

f) Contributed Materials and Services

Contributed materials and services, which are used in the normal course of operations and would otherwise been purchased, are recorded at their fair market value at the date of contribution if fair value can be reasonably estimated.

g) Foreign Currency Translation

Foreign currency transactions are translated at the rates of exchange in effect at the dates of the transactions. Resulting foreign currency denominated monetary assets and liabilities are translated at the rates of exchange in effect at the statement of financial position date. Gains and losses on translation of monetary assets and liabilities are included in net income.

2. Cash

	2017	2016
Canadian dollar bank accounts	\$ 71,903	\$ 107,506
US dollar bank accounts (expressed in Canadian dollars)	14,377	10,020
	\$ 86,280	\$ 117,526

3. Short Term Investments

	2017		2016	
	Cost	Market Value	Cost	Market Value
CIBC Money Market Fund	\$ 118,165	\$ 118,165	\$ 116,121	\$ 116,121

Lifewater Canada Notes to Financial Statements

June 30, 2017

4. Related Party Transactions

During the year, the Organization received donations and gifts in kind totaling \$32,376 (2016 - \$55,203) from directors and directors' spouses. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties).

5. Financial Instruments

Credit Risk

Credit risk is the risk that a counterparty will fail to discharge its obligations to the Organization reducing the expected cash flow from the Organization's assets recorded at the date of the statement of financial position. Credit risk can be concentrated in debtors that are similarly affected by economic or other conditions. It is the Board's opinion that the Organization is not exposed to significant concentrations of credit risk.

Interest Rate Risk

Lifewater Canada manages its portfolio investments based on its cash flow needs and with a view to optimizing its interest income. It is the Board's opinion that the Organization is not exposed to significant interest rate risk arising from its financial instruments.

Liquidity Risk

Liquidity risk is the risk that the Organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The majority of the Organization's expenses are paid through foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. The Organization is exposed to currency risk to the extent that it maintains a significant balance in a foreign currency. The foreign currency exchange rate is monitored on a regular basis to ensure that risk is mitigated.

There have been no changes to the Organization's financial instrument risk exposure from the prior year.