

Lifewater Canada
Financial Statements
For the year ended June 30, 2018

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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, 2018, 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, 2018 and 2017, current assets as at June 30, 2018 and 2017 and net assets as at July 1 and June 30 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended June 30, 2017 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, 2018, 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

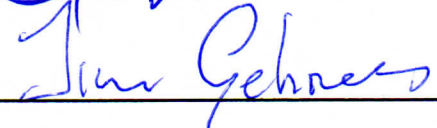
Thunder Bay, Ontario
August 28, 2018

Lifewater Canada Statement of Financial Position

June 30	2018	2017
Assets		
Current		
Cash (Note 2)	\$ 51,417	\$ 86,280
Short term investments (Note 3)	-	118,165
Due from related party	29,018	-
	\$ 80,435	\$ 204,445
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 68	\$ -
Net assets	80,367	204,445
	\$ 80,435	\$ 204,445

On behalf of the Board:


 _____ Director


 _____ Director

Lifewater Canada

Statement of Operations and Net Assets

For the year ended June 30	2018	2017
Revenue		
Donations		
Individual	\$ 525,856	\$ 432,734
Corporate	74,012	61,707
Foundations	138,526	96,819
Church and schools	91,101	86,135
Gifts in kind	87,771	36,898
International	91,883	42,237
Interest income	258	2,119
Foreign exchange	(3,476)	(4,240)
Other income	8,336	-
	1,014,267	754,409
Expenditure		
Administrative expenses	31,765	29,862
Fundraising	29,040	26,263
Health and hygiene	17,777	22,700
Infrastructure improvements	338,340	109,973
Tank catchment systems	5,426	10,539
Pump repair program	26,929	16,614
Sanitation	9,893	9,908
Training and education	86,466	74,172
Well construction	583,242	434,843
Well rehabilitation	9,406	32,804
	1,138,284	767,678
Deficiency of revenue over expenditure before the undernoted	(124,017)	(13,269)
Loss on disposal of short term investments	(61)	-
	(124,078)	(13,269)
Deficiency of revenue over expenditure for the year	(124,078)	(13,269)
Net assets, beginning of year	204,445	217,714
Net assets, end of year	\$ 80,367	\$ 204,445

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

Lifewater Canada Statement of Cash Flows

For the year ended June 30	2018	2017
Cash flows from operating activities		
Deficiency of revenue over expenditure for the year	\$ (124,078)	\$ (13,269)
Change in non-cash working capital balances		
Accounts payable and accrued liabilities	68	(15,933)
Due from related party	(29,018)	-
	(153,028)	(29,202)
Cash flows from investing activities		
Disposal of short term investments	118,165	(2,044)
	(34,863)	(31,246)
Decrease in cash for the year	(34,863)	(31,246)
Cash, beginning of year	86,280	117,526
	\$ 51,417	\$ 86,280
Cash, end of year	\$ 51,417	\$ 86,280

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

Lifewater Canada

Notes to Financial Statements

June 30, 2018

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) Cash and Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and cash balances held in investment accounts.

e) 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, 2018

1. Significant Accounting Policies (cont'd)

f) 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.

g) 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.

h) 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

	2018	2017
Canadian dollar bank accounts	\$ 39,809	\$ 71,903
US dollar bank accounts (expressed in Canadian dollars)	9,175	14,377
Canadian dollar investment bank account	2,433	-
	\$ 51,417	\$ 86,280

3. Short Term Investments

	2018		2017	
	Cost	Market Value	Cost	Market Value
CIBC Money Market Fund	\$ -	\$ -	\$ 118,165	\$ 118,165
	\$ -		\$ 118,165	

Lifewater Canada Notes to Financial Statements

June 30, 2018

4. Related Party Transactions

During the year, the Organization received donations and gifts in kind totaling \$33,573 (2017 - \$32,376) 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).

The amount due from related party represents funds advanced to a director for a purchase of a truck for the pump repair team in Haiti. The amount advanced is interest free.

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.