

WATERCAN/EAU VIVE CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2014



MCCAY DUFF LLP
Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
WaterCan/Eau Vive Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of WaterCan/Eau Vive Corporation, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, change in 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.

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 the auditors' 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.

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INDEPENDENT AUDITORS' REPORT

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 Corporation derives revenue from the general public in the form of donor contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Corporation. Therefore, we were not able to determine whether any adjustments might be necessary to revenue from donor contributions, net revenue (expenses) and cash flows from operations for the years ended March 31, 2014 and March 31, 2013, current assets and operating fund balance as at March 31, 2014 and March 31, 2013. Our audit opinion on the financial statements for the year ended March 31, 2013 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effect of the matter described in the Basis for Qualification Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of WaterCan/Eau Vive Corporation as at March 31, 2014, 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.

Report on Other Legal and Regulatory Requirements

As required by the Canada Corporations Act, we report that, in our opinion, these accounting principles have been applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script that reads "McCay Duff LLP".

McCay Duff LLP,
Licensed Public Accountants.

Ottawa, Ontario,
June 10, 2014.

WATERCAN/EAU VIVE CORPORATION
STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2014

	ASSETS	
	<u>2014</u>	<u>2013</u>
CURRENT		
Cash	\$ 1,080,092	\$ 238,519
Investments	2,535	30,000
HST recoverable	22,100	19,802
Accounts receivable	51,066	364
Prepaid expenses	2,490	12,225
Advances to projects	<u>229,584</u>	<u>111,517</u>
	1,387,867	412,427
CAPITAL (note 5)	<u>6,078</u>	<u>11,283</u>
	<u><u>\$ 1,393,945</u></u>	<u><u>\$ 423,710</u></u>
	LIABILITIES	
CURRENT		
Accounts payable and accrued liabilities	\$ 159,574	\$ 71,412
Deferred contributions (note 6)	<u>851,172</u>	<u>491,243</u>
	1,010,746	562,655
	NET ASSETS (DEFICIT)	
Invested in Capital Assets	6,078	11,283
Reserve Fund	251,898	60,000
Operating Fund (deficit)	<u>125,223</u>	<u>(210,228)</u>
	<u>383,199</u>	<u>(138,945)</u>
	<u><u>\$ 1,393,945</u></u>	<u><u>\$ 423,710</u></u>

Commitments (note 7)

Approved on behalf of the Board:

Director

Director

WATERCAN/EAU VIVE CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
INVESTED IN CAPITAL ASSETS		
BALANCE - BEGINNING OF YEAR	\$ 11,283	\$ 6,789
Purchase of capital assets	1,611	9,505
Amortization	<u>(6,816)</u>	<u>(5,011)</u>
	<u>(5,205)</u>	<u>4,494</u>
BALANCE - END OF YEAR	<u>\$ 6,078</u>	<u>\$ 11,283</u>
RESERVE FUND		
BALANCE - BEGINNING AND END OF YEAR	\$ 60,000	\$ 60,000
Allocation from Operating Fund	<u>191,898</u>	<u>-</u>
BALANCE - END OF YEAR	<u>\$ 251,898</u>	<u>\$ 60,000</u>
OPERATING FUND		
BALANCE - BEGINNING OF YEAR	\$(210,228)	\$ 18,092
Net revenue (expenses) for the year	522,144	(223,826)
Allocation to Reserve Fund	(191,898)	-
Allocation (to) from Invested in Capital Assets	<u>5,205</u>	<u>(4,494)</u>
	<u>335,451</u>	<u>(228,320)</u>
BALANCE - END OF YEAR	<u>\$ 125,223</u>	<u>\$ (210,228)</u>

WATERCAN/EAU VIVE CORPORATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
REVENUE		
DFATD	\$ 1,370,022	\$ 1,127,068
Donor contributions (Schedule 1)	1,415,727	1,516,609
WaterAid UK	500,000	-
Other income	<u>994</u>	<u>2,741</u>
	3,286,743	2,646,418
Deferred contributions - beginning of year (note 6)	491,243	340,560
Deferred contributions - end of year (note 6)	<u>(851,172)</u>	<u>(491,243)</u>
	2,926,814	2,495,735
EXPENSES (Schedule 2)		
International program	1,691,910	1,960,682
Public engagement program	227,536	265,480
Fundraising program	318,934	356,883
Canadian administration	<u>166,290</u>	<u>136,516</u>
	<u>2,404,670</u>	<u>2,719,561</u>
NET REVENUE (EXPENSES) FOR THE YEAR	<u>\$ 522,144</u>	<u>\$ (223,826)</u>

WATERCAN/EAU VIVE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		
Net revenue (expenses) for the year	\$ 522,144	\$(223,826)
Item not involving cash		
- amortization	<u>6,816</u>	<u>5,011</u>
	528,960	(218,815)
Change in non-cash working capital		
- HST recoverable	(2,298)	1,926
- accounts receivable	(50,702)	20,693
- prepaid expenses	9,735	6,774
- advances to projects	(118,067)	(38,042)
- accounts payable and accrued liabilities	88,162	22,061
- deferred contributions	<u>359,929</u>	<u>150,683</u>
	815,719	(54,720)
INVESTING ACTIVITIES		
Purchase of capital assets	(1,611)	(9,505)
Change in investments	<u>27,465</u>	<u>30,000</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR	841,573	(34,225)
Cash - beginning of year	<u>238,519</u>	<u>272,744</u>
CASH - END OF YEAR	<u>\$ 1,080,092</u>	<u>\$ 238,519</u>

WATERCAN/EAU VIVE CORPORATION**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014****1. ORGANIZATION**

WaterCan/Eau Vive Corporation (the "Corporation") is a not-for-profit corporation whose mission is to help citizens of developing countries build sustainable water supply and sanitation services, and to encourage Canadians to lend support. The Corporation was incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act and is therefore exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Corporation's significant accounting policies are as follows:

(a) Revenue Recognition.

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related restrictions are met. Unrestricted contributions are recognized as revenue when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

(b) International Project Expenses

International Project contributions advanced to recipient organizations are recognized on a percentage of completion basis, which is in accordance with the terms stipulated in the funding agreements.

(c) Financial Instruments

The Corporation's financial instruments consist of cash, investments, accounts receivable, advances to projects and accounts payable and accrued liabilities.

Measurement

Financial instruments are recorded at fair value on initial recognition.

The Corporation subsequently measures its financial instruments as follows:

Cash, accounts receivable, advances to projects and accounts payable and accrued liabilities are subsequently measured at amortized cost.

Investments are subsequently measured at fair value. Changes in fair value are recognized in net revenue (expenses).

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down or subsequent recovery is recognized in net revenue (expenses).

WATERCAN/EAU VIVE CORPORATION**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014****2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)****(d) Donated Goods and Services**

The Corporation recognizes contributions of materials and services only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Corporation's operations and would otherwise have been purchased. No material donated goods and/or services have been recognized in 2014.

(e) Capital Assets and Amortization

Capital assets are stated at cost, less accumulated amortization. Amortization is provided as follows:

Furniture and equipment	- straight line over five years
Computer software	- straight line over one year
Computer equipment	- straight line over two years

One-half of the above rates are used in the year of acquisition.

(f) Department of Foreign Affairs, Trade and Development Canada (DFATD Formerly C.I.D.A.)

Contributions received from DFATD are to be used for specific purposes which are stipulated in a funding agreement. Any amounts charged to DFATD contributions which do not comply with the agreement are refundable to DFATD. Adjustments, if any, to prior years' contributions would be recorded in the year in which the refund was established.

(g) Foreign Currency Translation

Expenses denominated in foreign currencies are translated at the average rate of exchange for the year.

(h) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. These estimates are reviewed periodically and adjustments are made to net revenue (expenses) as appropriate in the year they become known.

WATERCAN/EAU VIVE CORPORATION**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014****2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

(i) Allocation of Expenses

The Corporation engages in international, public engagement, and fundraising programs. The cost of each program includes the cost of personnel, premises and other expenses that are directly related to providing the program. The Corporation also incurs a number of general expenses that are common to the administration of the Corporation and each of its programs.

The Corporation allocates certain general expenses by identifying the appropriate basis of allocating each expense and applies that basis consistently each year.

(j) Volunteer Services

The Corporation receives the services of volunteers, the cost of which cannot be reasonably estimated. Therefore, no representation of this expense has been included in these financial statements.

(k) Fund Accounting

Operating Fund

The Corporation's program delivery and administrative activities are reported in the Operating Fund. This fund reflects unrestricted funds.

Reserve Fund

The purpose of the Reserve Fund is to provide the Corporation adequate financial resources to meet its' financial commitments in the event of a significant decrease in revenues. This reserve will provide the Corporation the time to adjust its expenses to ensure the long-term sustainability of the Corporation.

3. AGREEMENTS

(a) Department of Foreign Affairs, Trade and Development Canada (DFATD Formerly C.I.D.A.)

Under the terms of the DFATD - WaterCan/Eau Vive Corporation agreement, funds raised from donations made by the Canadian public may be matched by DFATD. These funds are used to sponsor projects undertaken by Canadian agencies and non-government organizations.

(b) Canadian Agency Agreements

Canadian agencies and non-government organizations receiving WaterCan/Eau Vive funds which have not been matched by DFATD do so under the terms of a WaterCan/Eau Vive - Canadian agency agreement. In certain cases these agencies have negotiated with other donor agencies to receive DFATD matched funds.

WATERCAN/EAU VIVE CORPORATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

4. FINANCIAL RISKS AND CONCENTRATION OF RISKS

It is management's opinion that the Corporation is not exposed to significant interest rate, market, currency or credit risks arising from its financial instruments. There has been no change to the risk exposure from 2013.

In the prior year, the Corporation was exposed to liquidity risk. This risk no longer exists due to the Corporation realizing a net asset surplus in the current year.

5. CAPITAL ASSETS

	2014			2013
	Cost	Accumulated Amortization	Net	Net
Furniture and equipment	\$ 8,916	\$ 4,046	\$ 4,870	\$ 6,653
Computer software	902	902	-	148
Computer equipment	<u>31,399</u>	<u>30,191</u>	<u>1,208</u>	<u>4,482</u>
	<u>\$ 41,217</u>	<u>\$ 35,139</u>	<u>\$ 6,078</u>	<u>\$ 11,283</u>

6. DEFERRED CONTRIBUTIONS

	Balance - beginning of Year	Less: Revenue Recognized	Plus: Amounts Received	Balance - end of Year
DFATD	\$ 301,979	\$ 996,637	\$ 1,370,022	\$ 675,364
Direct appeals:				
The Donner Foundation	30,500	30,500	-	-
Environmental Health Foundation	2,000	2,000	-	-
Gifts of Water	31,804	134,000	102,196	-
The Vitol Foundation	7,142	7,142	-	-
WaterCan at Schools	1,906	1,906	21,991	21,991
Other	-	44,276	59,354	15,078
Walk for Water	<u>115,912</u>	<u>261,044</u>	<u>283,871</u>	<u>138,739</u>
	<u>\$ 491,243</u>	<u>\$ 1,477,505</u>	<u>\$ 1,837,434</u>	<u>\$ 851,172</u>

WATERCAN/EAU VIVE CORPORATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

7. COMMITMENTS

(a) Lease

The Corporation has leased premises for a total commitment of \$36,397 expiring March 31, 2015.

(b) Information Technology Service Agreement

The Corporation has engaged the services of a Company to provide information technology services for a three year term ending August 31, 2015 at a monthly fee of \$1,166, including applicable taxes.

WATERCAN/EAU VIVE CORPORATION
SCHEDULE OF DONOR CONTRIBUTIONS
FOR THE YEAR ENDED MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
General donations	\$ 754,241	\$ 731,837
Special events	112,991	306,471
Walk for Water	<u>548,495</u>	<u>478,301</u>
	<u>\$ 1,415,727</u>	<u>\$ 1,516,609</u>

WATERCAN/EAU VIVE CORPORATION

SCHEDULE OF EXPENSES

FOR THE YEAR ENDED MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
INTERNATIONAL PROGRAM		
International projects	\$ 1,447,532	\$ 1,733,961
International program operations	<u>244,378</u>	<u>226,721</u>
	<u>\$ 1,691,910</u>	<u>\$ 1,960,682</u>
 PUBLIC ENGAGEMENT PROGRAM		
Annual report, newsletter	\$ 17,355	\$ 10,874
School outreach program	4,110	2,789
Website	7,610	11,053
Special events/other	32,193	108,784
Public engagement program operations	<u>166,268</u>	<u>131,980</u>
	<u>\$ 227,536</u>	<u>\$ 265,480</u>
 FUNDRAISING PROGRAM		
Direct mail	\$ 31,259	\$ 29,443
Special events	22,073	73,852
Other	24,169	23,419
Fundraising program operations	215,470	202,138
Walk for Water	<u>25,963</u>	<u>28,031</u>
	<u>\$ 318,934</u>	<u>\$ 356,883</u>
 CANADIAN ADMINISTRATION		
Salaries and benefits	\$ 86,572	\$ 84,445
Rent	9,027	8,650
Professional fees	32,118	11,923
Office	<u>38,573</u>	<u>31,498</u>
	<u>\$ 166,290</u>	<u>\$ 136,516</u>