

2021-2022 Financial Statements



Canadian Water Network
Réseau canadien de l'eau

**Canadian Water Network Inc. /
Réseau canadien de l'eau Inc.
Financial Statements**

March 31, 2022

Independent Auditor's Report

To the Board of Directors of Canadian Water Network Inc. / Réseau canadien de l'eau Inc.:

Opinion

We have audited the financial statements of Canadian Water Network Inc. / Réseau canadien de l'eau Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations and 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 Organization as at March 31, 2022, 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.

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 Organization 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.

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

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

MNP LLP

Chartered Professional Accountants

Waterloo, Ontario

June 20, 2022

Licensed Public Accountants

MNP
LLP

Canadian Water Network Inc./Réseau canadien de l'eau Inc.

Statement of financial position

As at March 31

	2022 \$	2021 \$
Assets		
Current assets		
Cash	1,099,784	1,127,968
Accounts receivable	62,908	86,216
Prepaid expenses	46,032	84,261
Total assets	1,208,724	1,298,445
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	137,236	109,811
Unearned revenue (note 3)	701,250	768,750
Total current liabilities	838,486	878,561
Net assets		
Unrestricted	370,238	419,884
Total liabilities and net assets	1,208,724	1,298,445

See accompanying notes

On behalf of the Board:

Director



Director



Canadian Water Network Inc./Réseau canadien de l'eau Inc.

Statement of operations and net assets

For the year ended March 31

	2022 \$	2021 \$
Revenue		
Grants and contracts	81,118	208,991
Government and internship subsidies (note 7)	59,310	161,180
Conference fees	-	7,375
Amortization of Municipal Water Consortium Membership fees (note 3)	1,167,250	1,106,083
Other	2,098	2,141
	1,309,776	1,485,770
Expenses		
Personnel	1,176,561	1,203,759
Operating	180,528	83,689
National conference	200	6,428
Project and reports	2,133	23,501
Grants and contracts	-	19,366
	1,359,422	1,336,743
Excess (deficiency) of revenue over expenses	(49,646)	149,027
Net assets, beginning of year	419,884	270,857
Net assets, end of year	370,238	419,884

See accompanying notes

Canadian Water Network Inc./Réseau canadien de l'eau Inc.

Statement of cash flows

For the year ended March 31

	2022	2021
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses	(49,646)	149,027
Deduct non-cash items		
Amortization of Municipal Water Consortium Membership fees (note 3)	(1,119,750)	(1,088,078)
	<u>(1,169,396)</u>	<u>(939,051)</u>
Changes in non-cash working capital		
(A)crease in accounts receivable	23,308	(20,859)
Decrease in prepaid expenses	38,229	6,097
Increase (decrease) in accounts payable and accrued liabilities	27,425	(4,529)
Unearned revenue received in the year (note 3)	1,052,250	1,045,833
Cash provided by operating activities	(28,184)	87,491
 Increase (decrease) in cash during the year	 (28,184)	 87,491
Cash, beginning of year	1,127,968	1,040,477
Cash, end of year	1,099,784	1,127,968

See accompanying notes

Canadian Water Network Inc./Réseau canadien de l'eau Inc.

NOTES TO FINANCIAL STATEMENTS

1. Description

Canadian Water Network Inc./Réseau canadien de l'eau Inc. ("CWN") commenced operations on March 1, 2001, was incorporated under the Canada Corporations Act on August 7, 2003, and was issued a Certificate of Continuance under the Canada Not-for-Profit Corporations Act on October 10, 2014. CWN and its operations are an independent not-for-profit organization, funded through various sources, focused on development and mobilization of strategic water research and decision-making information.

CWN's mission is to nurture national partnerships that mobilize multidisciplinary research and water management practices, catalyzing innovation that provides practical, implementable solutions to complex water resource management issues. CWN fulfils its mission by establishing multi-sector partnerships of water users and managers, and developing and mobilizing initiatives on water-related issues of priority to these partners. CWN relies on the expertise of leading Canadian researchers and practitioners to support its programs, and works closely with governments and industry to determine priorities through various mechanisms including multi-sectoral consortia, focused regional or national initiatives, and targeted projects with single end users.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which constitutes generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Revenue recognition

CWN follows the deferral method of accounting to recognize revenue for contributions.

"Grants and contracts" are recognized as revenue in the year when received or receivable, if the amount to be received has been committed in the year, can be reasonably estimated, and collection is reasonably assured. Advance payments received for grants and contracts are recorded as "unearned revenue" in the statement of financial position when all or a portion of the related work has not yet been completed. Unearned revenue related to grants and contracts is recognized as revenue in the statement of operations and net assets in the year in which expenses related to these grants or contracts are incurred.

Revenue from registration and sponsorship fees received for the National Blue Cities conference is recorded as "unearned revenue" in the statement of financial position when received prior to the fiscal year in which it is held. Revenues are recognized in the statement of operations and net assets through "conference" in the year in which the related conference is held.

Canadian Water Network Inc./Réseau canadien de l'eau Inc.

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Membership fees are recorded as “unearned revenue” in the statement of financial position and recognized as “amortization of Municipal Water Consortium Membership fees” in the statement of operations and net assets on a straight-line basis over the membership period when the fees have been committed and can be reasonably estimated, and collection is reasonably assured.

Internship subsidies are recognized when the eligibility criteria for the subsidy is met.

Contributed services

The University of Waterloo provides office space to the Organization at no cost. Contributions of materials and services are not recorded in the financial statements due to the difficulty in determining their fair value.

Expenses

“Personnel” expenses represent costs related to salaries and benefits of all permanent and fixed-term contract staff.

“Operating” expenses represent the cost of operations including administrative, travel, meetings, communications, marketing, audit, legal, and staff training and development costs other than those directly related to the Blue Cities National Conference or the delivery and operations of projects, reports, or externally funded grants and contracts.

“National Conference” expenses represent the costs, other than salary and benefits of permanent and short-term contract staff, of developing and delivering CWN’s annual national conference.

“Projects and reports” expenses represent the non-salary or benefits costs of researching, developing, or producing outputs related to topic areas of interest.

“Grants and contracts” expenses represent the non-salary or benefits costs of fulfilling the requirements of externally funded grants and contracts.

All expenses are recorded on an accrual basis of accounting.

Canadian Water Network Inc./Réseau canadien de l'eau Inc.

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (*continued*)

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the organization becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost. When there is evidence of impairment, the value of these financial instruments is written down to the estimated net realizable value through the statement of financial position.

CWN recognizes any impairment losses through the statement of financial position when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of financial position in the period in which the reversal occurs.

Government assistance

Government assistance is recognized in the statement of operations and net assets on a systematic basis over the periods in which the Organization recognizes expenses as related costs for which funded expenditures are incurred. Government assistance is recognized when there is reasonable assurance that the Organization will comply with the terms and conditions associated with the assistance and the assistance will be received. Government assistance is recognized in government and internship subsidies on the statement of operations and net assets.

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 and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Accounts payable and accrued liabilities are based on management's expectation of amounts payable for goods and services for which invoices were not received prior to the year end.

Canadian Water Network Inc./Réseau canadien de l'eau Inc.

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (*continued*)

Use of estimates (*continued*)

The global outbreak of the novel coronavirus, and associated respiratory disease ("COVID-19") continues to have a significant impact on organizations through the restrictions put in place by the Canadian government regarding travel, business operations, and isolation/quarantine orders.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographical spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada, and/or other countries to fight the virus. While the extent of the impact is unknown, the Organization could experience delays in its stated goals, which may negatively impact the Organization's organizational and financial condition in future periods.

3. Unearned revenue

During the year ended March 31, 2022, CWN received \$1,052,250 (2021 - \$1,045,833) in fees related to joining the Municipal Water Consortium Membership program, for registration or sponsorship of the National Blue Cities conference occurring in the following fiscal year or as advances for contribution agreements. Most memberships run on a calendar year basis. Included in fees recognized during the year is \$1,119,750 (2021 - \$1,083,333) of Municipal Water Consortium Membership fees recognized in the statement of operations and net assets.

	2022 \$	2021 \$
Balance, beginning of year	768,750	810,995
Add		
Fees received during the year	1,052,250	1,045,833
Less		
Fees recognized during the year	1,119,750	1,088,078
Balance, end of year	701,250	768,750

4. Income taxes

CWN is a not-for-profit organization under Section 149 of the *Income Tax Act* (Canada) and is therefore exempt from income taxes.

Canadian Water Network Inc./Réseau canadien de l'eau Inc.

NOTES TO FINANCIAL STATEMENTS

5. Nature and extent of financial risks

It is management's opinion that CWN is not exposed to significant interest rate risk, credit risk, currency risk, liquidity risk or other price risks arising from its financial instruments.

CWN does not have a significant exposure to any individual customer or counterparty.

6. Capital management

In managing capital and operating needs, CWN focuses on liquid resources available for operations. CWN's objective is to have sufficient liquid resources on hand to continue operating and to provide it with the flexibility to capitalize on opportunities to further support the community. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2022, CWN has met its objective of having sufficient liquid resources to meet its current obligations.

7. Government assistance

In response to the negative economic impact of the novel coronavirus, and associated respiratory disease ("COVID-19"), the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") and Temporary Wage Subsidy ("TWS"). The CEWS and TWS programs provide a wage subsidy on eligible renumeration, subject to limits per employee, to eligible employers. CEWS is based on certain criteria, including demonstration of certain revenue declines as a result of COVID-19. CWN has recognized a total of \$46,103 (2021 - \$114,188) of CEWS in government and internship subsidies on the statement of operations and net assets. TWS is based on certain criteria, including payment of eligible renumeration to an eligible employee from the period of March 18 to June 19, 2020. CWN has recognized a total of \$13,207 (2021 - \$nil) of TWS in government and internship subsidies on the statement of operations and net assets.

Meet our Board of Directors

2021-2022



Chair
Carl Yates
Atlantic First
Nations Water
Authority



Vice Chair
Jean-François
Barsoum
IBM Canada



Susan Ancel
EPCOR Water
Services Inc.



Albert Cho
Xylem Inc.



Andrew Farr
Halton Region



Theresa
McClennaghan
Canadian
Environmental Law
Association



Cheryl Nelms
Metro Vancouver



Patricia Wilson
City of Regina
(retired)



Bev Yee
Government of
Alberta



Canadian Water Network
Réseau canadien de l'eau



Canadian Water Network
Réseau canadien de l'eau



cwn-rce.ca



bit.ly/CWN-LinkedIn



bit.ly/CWN-Facebook