

Financial Statements of

**CENTRE FOR AFFORDABLE
WATER AND SANITATION
TECHNOLOGY**

(a registered charitable organization, operating as CAWST)

And Independent Auditor's Report thereon

Year ended December 31, 2019



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INDEPENDENT AUDITORS' 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 Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.



We are independent of the Entity 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 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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity's 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

April 23, 2020

CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,885,809	\$ 1,533,266
Term deposits (note 3)	17,788,479	20,720,808
Accounts receivable	202,597	177,169
Held Marketable Securities (note 5)	2,480	–
Government sales tax receivable	11,843	9,063
Prepaid expenses	122,235	78,030
	<u>25,013,443</u>	<u>22,518,336</u>
Property and equipment (note 4)	76,966	123,875
	<u>\$ 25,090,409</u>	<u>\$ 22,642,211</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 259,340	\$ 275,044
Deferred contributions (notes 5 and 7)	4,210,695	5,132,991
	<u>4,470,035</u>	<u>5,408,035</u>
Deferred contributions (notes 5 and 7)	17,784,109	14,570,223
Deferred capital contributions (note 8)	–	35,042
	<u>22,254,144</u>	<u>20,013,300</u>
Net assets	2,836,265	2,628,911
Commitments (note 10)		
Subsequent events (note 13)		
	<u>\$ 25,090,409</u>	<u>\$ 22,642,211</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenues:		
Donations (notes 5,7 and 9)	\$ 4,597,339	\$ 4,249,682
Grant Revenue (note 7)	1,213,921	1,125,647
Interest income (note 6)	471,818	308,464
Amortization of deferred capital contributions (note 8)	35,042	42,050
Training courses	—	1,360
Project consulting	165,115	200,580
	6,483,235	5,927,783
Expenses:		
Salary and benefits (note 11)	3,515,355	3,239,504
Water Expertise and Training Centers	951,649	691,355
Consulting	538,824	725,289
Travel	473,453	423,322
Office and administration	364,450	380,666
Rent and utilities	206,531	176,443
Loss on sale of marketable securities (note 5)	7,353	9,861
Insurance	50,229	39,410
Professional fees	38,160	38,160
Training and conferences	41,841	31,728
Materials and laboratory supplies	7,951	9,843
Meals and entertainment	6,438	14,564
Unrealized foreign exchange loss/(gain)	3,124	(13,185)
Depreciation	70,523	79,490
	6,275,881	5,846,450
Excess of revenues over expenses	\$ 207,354	\$ 81,333

See accompanying notes to financial statements.

CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Statement of Changes in Net Assets

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Balance, beginning of year	\$ 2,628,911	\$ 2,547,578
Excess of revenues over expenses	207,354	81,333
Balance, end of year	\$ 2,836,265	\$ 2,628,911

See accompanying notes to financial statements.

CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 207,354	\$ 81,333
Proceeds on sale of marketable securities (note 5)	6,197,306	10,506,083
Items not affecting cash flows:		
Depreciation	70,523	79,490
Amortization of deferred capital contributions (note 8)	(35,042)	(42,050)
Marketable securities donated (note 5)	(6,204,659)	(10,515,944)
Loss on sale of marketable securities (note 5)	7,353	9,861
Unrealized foreign exchange (gain)/loss	3,124	(13,185)
	<u>245,959</u>	<u>105,588</u>
Net change in non-cash working capital balances:		
Accounts receivable	(25,428)	(4,457)
Government sales tax receivable	(2,780)	(3,401)
Held marketable securities	(2,480)	-
Prepaid expenses	(44,205)	1,947
Accounts payable and accrued liabilities	(15,704)	40,261
Deferred contributions	2,291,590	6,699,602
	<u>2,446,952</u>	<u>6,839,540</u>
Investing activities:		
Purchase of property and equipment	(23,614)	(69,663)
Purchase of term deposits	(50,604,037)	(32,992,582)
Redemption of term deposits	53,536,366	26,736,248
	<u>2,908,715</u>	<u>(6,325,997)</u>
Increase (decrease) in cash and cash equivalents	5,355,667	513,543
Foreign exchange gain on cash held in foreign currencies	(3,124)	13,185
Cash and cash equivalents, beginning of year	1,533,266	1,006,538
Cash and cash equivalents, end of year	<u>\$ 6,885,809</u>	<u>\$ 1,533,266</u>

See accompanying notes to financial statements.

CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements

Year ended December 31, 2019, with comparative information for 2018

1. Purpose of the organization:

The Centre for Affordable Water and Sanitation Technology ("CAWST") was formed to provide technical training and support in water sanitation services for those who serve the poor in developing countries. CAWST was incorporated on October 2, 2001 under the Alberta Societies Act as a not-for-profit organization. CAWST is a registered charity under Section 149(1) of the Income Tax Act and accordingly, is not subject to income tax. Effective January 1, 2002, CAWST was awarded charitable status for income tax purposes.

2. Significant accounting policies:

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

(a) Basis of accounting:

CAWST maintains its accounts using the accrual basis of accounting. CAWST currently has only one fund, the Operating Fund, which is unrestricted and accounts for program delivery and administrative activities.

(b) Cash and cash equivalents:

Cash and cash equivalents includes cash on deposit, short-term investments and term deposits with original maturities of less than three months.

(c) 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 maturities dates greater than one year if classified as long term.

(d) 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.

After the initial revenue recognition, the securities will be re-measured at their fair value ("marked to market") without any deduction for transaction costs that may be incurred on their future sale. To the extent the fair value changes from the initial fair value recognition, such difference, either positive or negative, is recorded as income or as an expense in the statement of operations with the carrying value of the securities adjusted accordingly on the balance sheet.

CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 2

Year ended December 31, 2019, with comparative information for 2018

2. Significant accounting policies (continued):

(e) Property and equipment:

Property and equipment is recorded at cost. Donated property and equipment is recognized at deemed cost of 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	Term of lease – 5 years

CAWST reviews for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be reasonable and exceeds its fair value.

(f) Revenue recognition:

CAWST follows the deferral method of accounting for contributions, which include donations and grants. Revenue is recognized when collection is reasonably assured. 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.

Project consulting revenue is recognized when the related service is provided.

(g) 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.

Revenue associated with capital-in-kind asset donations is recognized as donations revenue in amounts that equal the annual depreciation of the capital in-kind asset contribution.

CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 3

Year ended December 31, 2019, with comparative information for 2018

2. Significant accounting policies (continued):

(h) 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.

(i) Use of estimates:

The preparation of financial statements in conformity with ASNPO 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 revenue and expenses during the reporting period. The most significant of these estimates are related to the recoverable amount of the accounts receivable, the amortization period for and potential impairment of capital assets, accrued liabilities and potential contingencies. Actual results could differ significantly from the estimates. Management reviews these estimates on a periodic basis and, if required, makes adjustments prospectively.

(j) Financial Instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. CAWST has not elected to carry any such financial instruments at fair value with the exception of marketable securities which are required to be measured at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 4

Year ended December 31, 2019, with comparative information for 2018

2. Significant accounting policies (continued):

(j) Financial Instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, CAWST determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount CAWST expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(k) Changes in accounting policies:

In March 2018, the Accounting Standards Board issued “Basis for Conclusions – Accounting Standards Improvements for Not-for-Profit Organizations” resulting in the introduction of new handbook sections in the Accounting Standards for Not-for-Profit Part III of the Handbook as follows:

(i) Section 4433:

Tangible capital assets held by not-for-profit organizations, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at January 1, 2019.

(ii) Section 4434:

Intangible assets held by not-for-profit organizations, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expenses should the net carrying value be higher than the asset’s fair value or replacement cost.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairment of intangible assets that existed as at January 1, 2019.

CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 5

Year ended December 31, 2019, with comparative information for 2018

2. Significant accounting policies (continued):

(k) Changes in accounting policies (continued):

(iii) Section 4441:

Collections held by not-for-profit organizations, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

Organizations are permitted to retrospectively capitalize collections at their cost or fair value at the date of acquisition, or fair value or replacement cost as at January 1, 2019, based on the most readily determinable value. In addition, an adjustment to opening net assets is permitted to recognize any partial impairment of the value of collections that existed as at January 1, 2019.

The above three amendments are effective for financial statements for fiscal years beginning on or after January 1, 2019. The implementation of these changes had no impact on these financial statements.

3. Term deposits:

The term deposits are held in guaranteed investment certificates with a major Canadian Chartered Bank, these deposits mature between October 01, 2020 and November 11, 2020 and bear interest at rates ranging from 1.90% to 2.04% (2018 – 1.95% to 2.41%).

4. Property and equipment:

			2019	2018
	Cost	Accumulated depreciation	Net book value	Net book value
Computer hardware and software	\$ 414,173	\$ 376,971	\$ 37,202	\$ 77,443
Office furniture	88,356	65,233	23,123	27,509
Leasehold improvements	19,684	3,043	16,641	18,923
	\$ 522,213	\$ 445,247	\$ 76,966	\$ 123,875

CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 6

Year ended December 31, 2019, with comparative information for 2018

5. Marketable securities:

During the year, marketable securities were donated to CAWST with a value of \$6,204,659 (2018 – \$10,515,944). Marketable securities were sold for total proceeds of \$6,197,306 (2018 – \$10,506,083) resulting in a loss on disposal of \$7,353 (2018 – \$9,861). During the year, \$3,272,758 (2018 – \$176,444) was recorded in donations revenue and \$2,931,901 (2018 – \$10,339,500) was designated by donors to cover future expenditures and was recorded in deferred contributions. As at December 31, 2019, there were \$2,480 (2018 – \$nil) of marketable securities held by CAWST which is included in current assets. Refer note 9 for transactions with related parties.

6. Calgary Foundation pooled endowment fund held in perpetuity:

On April 9, 2008, pursuant to a resolution of CAWST's Board of Directors, CAWST established a pooled endowment investment fund ("the Fund"). The Fund is administered by the Calgary Foundation with all capital contributions to the Fund to be held in perpetuity by the Calgary Foundation. The purpose of the Fund is to provide income to CAWST by way of pooled income generated by the Calgary Foundation. The capital contribution to the Fund has not been recorded in CAWST's financial statements. As at December 31, 2019, the Fund totaled \$6,586 (2018 – \$6,071), with initial value of \$6,071 plus the change in market value to December 31, 2019. During 2019, CAWST received \$155 (2018 – \$253) and is included in interest income.

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, 2019, the deferred contribution balance change is as follows:

	2019	2018
Beginning of year	\$ 19,703,214	\$ 13,003,612
Add: amounts received related to future years	3,709,632	11,302,465
Less: amounts recognized as revenue in the year	(1,418,042)	(4,602,863)
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	\$ 21,994,804	\$ 19,703,214

CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 7

Year ended December 31, 2019, with comparative information for 2018

7. Deferred contributions (continued):

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

	2019	2018
Current:		
Individuals	\$ 3,998,527	\$ 4,434,633
Organizations	212,168	698,358
	4,210,695	5,132,991
Long term:		
Individuals	17,784,109	14,570,223
	\$ 21,994,804	\$ 19,703,214

Deferred contributions from organizations are comprised of the following:

	Beginning	Received during the Year	Recognized During the Year	Ending	Program
Government of Canada	\$111,249	\$637,731	\$614,224	\$134,756	WET Centre
TD Foundation	5,000	–	5,000	–	Wavemakers
RBC Foundation	26,571	–	26,571	–	Wavemakers
Procter & Gamble	30,407	–	27,995	2,412	Household Water Treatment in Latin America
WorleyParsons	–	15,000	15,000	–	Wash Capacity Building Activities In Columbia
Anonymous donor	525,131	–	525,131	–	Non-Networked Sanitation
D. Keith MacDonald Foundation	–	75,000	–	75,000	WET Centre
	\$698,358	\$727,731	\$1,213,921	\$212,168	

CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 8

Year ended December 31, 2019, with comparative information for 2018

8. Deferred capital contributions:

Deferred capital contributions represent restricted contributions received and designated to be used for capital purposes. Contributions received for property and equipment are deferred and amortized over the useful life of the related asset and are composed of the following:

	2019	2018
Balance, beginning of year	\$ 35,042	\$ 77,092
Contributions provided by funders	–	–
Amortization of deferred capital contributions	(35,042)	(42,050)
Balance, end of year	\$ –	\$ 35,042

9. Related party transactions:

During the year, the Chair of the Board donated marketable securities in the amount of \$2,031,901 (2018 – \$10,339,500) and donated cash of \$nil (2018 – \$nil).

During the year, CAWST received cash donations of \$246,300 (2018 – \$111,500) and donated marketable securities of \$5,062 (2018 – \$9,810) from other directors.

During the year, CAWST received cash donations of \$1,000 (2018 – \$1,000) from the Chief Executive Officer.

These donations are accounted for in accordance with CAWST's accounting policies.

These transactions are in the normal course of operations and are measured at the exchange amounts.

CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 9

Year ended December 31, 2019, with comparative information for 2018

10. Commitments:

- (a) On November 22, 2016, CAWST signed a multi-year agreement with the Department of Foreign Affairs, Trade and Development “DFATD” towards the reconstruction and resilience of WASH Services through Capacity Building in Nepal with a total direct program cost of \$1,448,234. Under the terms of the agreement DFATD will contribute 100% of the cost incurred by CAWST, to a maximum of \$1,622,022, which includes a reimbursement of overhead costs of \$173,788 and is 12% of the \$1,448,234. CAWST entered into an agreement dated February 27, 2017 with a local partner to support the implementation of the reconstruction and resilience of WASH services in Nepal in the amount of \$668,620. This agreement terminates August 31, 2020.

During 2019, DFATD advanced CAWST a total of \$637,731 (2018 – \$321,793). CAWST recognized revenue of \$614,224 (2018 – \$332,277) for expenses incurred. As at December 31, 2019, CAWST had a balance of \$134,756 (2018 – \$111,249) in deferred contributions which was the difference between funds advanced from DFATD and revenues recognized to date. As at December 31, 2019, CAWST advanced \$334,207 (2018 – \$133,747) to the local partner in support of the project.

- (b) CAWST signed a new lease agreement for a period of eight years, seven months and sixteen days commencing on July 15, 2018 and ending on February 28, 2027. Under the agreement, CAWST was not required to pay base rent and additional rent during the period from June 18, 2018 to February 28, 2019. During this period, CAWST was not responsible for the payment of the separately metered utilities consumed in the premises.

The minimum lease payments are as follow:

2020	\$ 124,191
2021	124,191
2022	129,941
2023	131,091
Thereafter	449,617
	<hr/>
	\$ 959,031

CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 10

Year ended December 31, 2019, with comparative information for 2018

11. Salary and benefits:

CAWST has an employee medical benefits program. The cost of the premiums is shared by the employee and by CAWST. CAWST's portion of the premiums in 2019 was \$48,731 (2018 – \$44,255) and is included in the salary and benefits expense.

CAWST has implemented a Group Saving Plan whereby CAWST provides a match based on the employee's contribution into the plan. CAWST's contribution to the plan in 2019 was \$47,117 (2018 – \$51,250) and is included in the salary and benefits expense.

12. Financial Instruments related risks:

CAWST's financial instruments expose CAWST to the following risks:

Credit risk:

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

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 and cash equivalents consists of cash and bank balances; the term deposits represent investments 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 reputable Canadian Chartered Banks. Credit is only extended to those entities that management believes have the financial capacity to pay obligations due to CAWST.

Liquidity risk:

Liquidity is the risk that CAWST will encounter difficulty in raising donations to meet commitments associated with financial instruments. Management controls liquidity risk through cash flow projections used to forecast funding requirements for its financial instruments and through maintaining financial reserves. There is no change in risk exposures from 2018.

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.

Foreign currency risk:

CAWST is exposed to foreign currency fluctuations as it holds cash denominated in various foreign currencies. A 1% change in foreign exchange rates would impact the cash held in foreign currencies by approximately \$1,213. There is no change in risk exposures from 2018.

CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 11

Year ended December 31, 2019, with comparative information for 2018

13. Subsequent events:

- (a) Subsequent to year end, CAWST renewed agreements with local partners in Cambodia, Ethiopia, Honduras, Zambia and Colombia to provide funding to Water Expertise and Training Centers for approved expenditures and upon completion of reporting requirements. The commitments with respect to the Water Expertise and Training Centers are \$1,643,285.
- (b) Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Government of Canada, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Canada resulting in an economic slowdown.

The full impact of these circumstances on businesses will not be fully understood until time has passed. The current challenging economic climate may lead to adverse changes in cash flows and delivering in-person services, which may also have a direct impact on CASWT's operating results and financial position in the future. The situation remains dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on CAWST's operations is unknown at this time.