

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, 2022



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## INDEPENDENT AUDITOR'S 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, 2022
- 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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, 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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's 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.

***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 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 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 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

May 4, 2023

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

## Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,677,182	\$ 3,088,752
Term deposits (note 3)	8,015,541	7,007,504
Accounts receivable	183,079	616,756
Government sales tax receivable	12,273	12,025
Prepaid expenses	133,108	167,854
	<u>12,021,183</u>	<u>10,892,891</u>
Property and equipment (note 4)	172,436	57,141
Investments (note 6)	16,866,267	18,473,450
	<u>\$ 29,059,886</u>	<u>\$ 29,423,482</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 396,362	\$ 305,062
Deferred contributions (notes 5 and 7)	5,574,522	5,420,394
	<u>5,970,884</u>	<u>5,725,456</u>
Deferred contributions (notes 5 and 7)	20,171,626	18,588,311
Other liabilities	4,413	—
	<u>26,146,923</u>	<u>24,313,767</u>
Net assets	2,912,963	5,109,715
Commitments (note 10)		
	<u>\$ 29,059,886</u>	<u>\$ 29,423,482</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

Shauna Curry  
Shauna Curry (Mar 8, 2023 17:30 PDT)

Director



Director

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

## Statement of Operations

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Revenues:		
Donations (notes 5,7 and 9)	\$ 5,118,473	\$ 5,300,579
Government assistance (note 8)	92,114	538,708
Grant revenue (note 7)	884,940	1,127,041
Project consulting	70,259	259,283
	6,165,786	7,225,611
Expenses:		
Salary and benefits	4,355,738	4,443,070
Training partners	841,556	745,733
Consulting	649,108	832,628
Travel	388,713	12,368
Office and administration	547,099	390,936
Rent and utilities	205,959	202,440
Insurance	27,437	28,196
Professional fees	72,932	91,798
Training and conferences	29,120	19,865
Hospitality	753	330
Depreciation	49,915	28,493
	7,168,330	6,795,857
(Deficit) excess of revenues over expenses before other items:	(1,002,544)	429,754
Change in unrealized gain (loss) on investments	(2,129,780)	664,893
Gain on sale of marketable securities (note 5)	26,919	12,873
Foreign exchange (loss) gain	91,948	(6,548)
Interest and dividend income	829,391	843,232
Gain on investments	-	78,309
Loss on sale or disposal of fixed assets	(153)	(3,813)
Brokerage fees	(12,533)	(3,010)
	(1,194,208)	1,585,936
(Deficit) excess of revenues over expenses	\$ (2,196,752)	\$ 2,015,690

See accompanying notes to financial statements.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

## Statement of Changes in Net Assets

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Balance, beginning of year	\$ 5,109,715	\$ 3,094,025
(Deficit) excess of revenues over expenses	(2,196,752)	2,015,690
Balance, end of year	\$ 2,912,963	\$ 5,109,715

See accompanying notes to financial statements.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

## Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
(Deficit) excess of revenues over expenses	\$ (2,196,752)	\$ 2,015,690
Proceeds on sale of marketable securities (note 5)	4,082,032	1,955,634
Items not affecting cash flows:		
Depreciation	49,915	28,493
Marketable securities donated (note 5)	(4,055,110)	(1,942,760)
Gain on sale of marketable securities (note 5)	(26,919)	(12,874)
Change in unrealized (gain) loss on investments	2,129,780	(664,893)
Unrealized foreign exchange (gain) loss	(1,531)	4,661
	<u>(18,585)</u>	<u>1,383,951</u>
Net change in non-cash working capital balances:		
Accounts receivable	433,677	(97,645)
Government sales tax receivable	(248)	2,512
Prepaid expenses	34,746	29,968
Accounts payable and accrued liabilities	91,300	(186,620)
Other liabilities	4,413	-
Deferred contributions	1,737,443	(1,283,930)
	<u>2,282,746</u>	<u>(151,764)</u>
Investing activities:		
Purchase of property and equipment	(165,213)	(17,965)
Purchase of term deposits	(15,015,541)	(33,229,696)
Purchase of investments	(522,597)	(11,815,162)
Redemption of term deposits	14,007,504	45,434,219
	<u>(1,695,847)</u>	<u>371,395</u>
Increase in cash and cash equivalents	586,899	219,631
Foreign exchange loss (gain) on cash held in foreign currencies	1,531	(4,661)
Cash and cash equivalents, beginning of year	3,088,752	2,873,782
Cash and cash equivalents, end of year	<u>\$ 3,677,182</u>	<u>\$ 3,088,752</u>

See accompanying notes to financial statements.



# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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## 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 include 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 maturity 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, 2022, with comparative information for 2021

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## 2. Significant accounting policies (continued):

### (e) Investments:

Investments are recorded at fair value based upon closing prices for publicly traded securities and quoted prices for fixed rate investments. Realized investment gains (losses) are recorded on a settlement date basis. Any unrealized gains (losses) are reflected as a change in unrealized gain (loss) on investments in the statement of operations. Interest earned on investments is recorded on an accrual basis.

### (f) Property and equipment:

Property and equipment are recorded at cost. Donated property and equipment are 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:

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Computer hardware and software	3 years
Office furniture	10 years
Leasehold improvements	Term of lease – 5 years

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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.

### (g) 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.

CAWST applied for financial assistance under available government incentive programs. Government assistance relating to revenues of the period is recorded as government assistance on the statements of operations.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 3

Year ended December 31, 2022, with comparative information for 2021

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## 2. Significant accounting policies (continued):

### (h) 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.

### (i) 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.

### (j) 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 property and equipment, accrued liabilities, fair value of investments 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.

### (k) 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 and investments, which are 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, 2022, with comparative information for 2021

## 2. Significant accounting policies (continued):

### (k) 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.

## 3. Term deposits:

The term deposits are held in guaranteed investment certificates with a major Canadian Chartered Bank, these deposits mature between March 20, 2023 until June 26, 2023 and bear interest at rates ranging from 2.4% – 4.9% (2021 – 0.43% to 0.46%).

## 4. Property and equipment:

			2022	2021
	Cost	Accumulated depreciation	Net book value	Net book value
Computer hardware and software	\$ 324,408	\$ 176,885	\$ 147,523	\$ 24,866
Office furniture	77,346	62,178	15,168	20,195
Leasehold improvements	19,684	9,939	9,745	12,080
	\$ 421,438	\$ 249,002	\$ 172,436	\$ 57,141

## 5. Marketable securities:

During the year, marketable securities were donated to CAWST with a value of \$4,055,110 (2021 – \$1,942,760). Marketable securities were sold for total proceeds of \$4,082,032 (2021 – \$1,955,634) resulting in a gain on disposal of \$26,919 (2021 – \$12,874). During the year, \$505,215 (2021 – \$483,500) was recorded in donations revenue and \$3,549,895 (2021 – \$1,459,260) was designated by donors to cover future expenditures and was recorded in deferred contributions. Refer note 9 for transactions with related parties.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 5

Year ended December 31, 2022, with comparative information for 2021

## 6. Investments:

CAWST's investments consist of the following:

	2022		2021	
	Cost	Fair value	Cost	Fair value
Money market	\$ 50,660	\$ 50,660	\$ 147,258	\$ 147,258
Fixed income	5,372,003	4,623,269	5,201,246	5,069,670
Equities:				
Canada	4,591,114	4,593,761	4,394,214	4,820,302
United States	3,692,038	3,576,750	3,553,016	3,922,582
International	4,417,245	4,021,827	4,304,729	4,513,638
	<u>\$ 18,123,060</u>	<u>\$ 16,866,267</u>	<u>\$17,600,463</u>	<u>\$ 18,473,450</u>

## 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, 2022, the deferred contribution balance change is as follows:

	2022	2021
Beginning of year	\$ 24,008,706	\$ 25,292,635
Add: amounts received in the year	6,413,964	3,995,688
Less: amounts recognized as revenue in the year	(4,676,522)	(5,279,617)
	<u>\$ 25,746,148</u>	<u>\$ 24,008,706</u>

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 6

Year ended December 31, 2022, with comparative information for 2021

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## 7. Deferred contributions (continued):

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

	2022	2021
Current:		
Individuals	\$ 4,995,386	\$ 5,000,001
Organizations	579,136	420,394
	5,574,522	5,420,395
Long term:		
Individuals	20,171,626	18,588,311
	\$ 25,746,148	\$ 24,008,706

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 7

Year ended December 31, 2022, with comparative information for 2021

## 7. Deferred contributions (continued):

Deferred contributions from organizations are comprised of the following:

	Beginning December 31, 2021	Received during the year 2022	Recognized during the year 2022	Ending December 31, 2022	Program
Procter & Gamble	–	38,015	38,015	–	Household Water Treatment in Latin America Centre
UNICEF	–	39,492	39,492	–	HWTS Venezuela
Wash'EM ACF	–	160,942	160,942	–	WASH'EM 4
Swiss Development Council	6,466	4,047	10,513	–	WASH Hub
Swiss Development Council-2022	–	81,829	6,761	75,068	WASH Hub
Peter Gilgan Foundation	94,596	101,618	65,904	130,310	Wash in Schools East Africa
Bill & Melinda Gates Foundation	231,511	181,848	150,773	262,586	Sanitation Hub
Wash in School for Kenya	10,000	–	10,000	–	Wash in schools for Kenya
Manitoba MCIC	19,250	–	14,638	4,612	Menstrual health and Hygiene Honduras
Global Water Centre	–	19,585	19,585	–	Youth activity Member handbook
Water Missions	–	11,167	11,167	–	Online learning
Rotary Club	25,000	25,000	8,000	42,000	Carbon Credits study
Fig Tree Foundation	15,000	–	15,000	–	WASH India
German Toilet Organization	18,571	14,886	33,457	–	BMGF Sanitation Hub
Global Affairs Canada	–	335,253	270,693	64,560	Women Led wash for healthy home
Worley Parson (Australia) Colombia	–	30,000	30,000	–	Household Water
	\$ 420,394	\$ 1,043,682	\$ 884,940	\$ 579,136	

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 8

Year ended December 31, 2022, with comparative information for 2021

## 7. Deferred contributions (continued):

	Beginning December 31, 2020	Received during the year 2021	Recognized during the year 2021	Ending December 31, 2021	Program
Hygiene Hub	53,660	101,608	155,268	–	COVID-19 Hygiene Hub
Cisco System Foundation	120,941	–	120,942	–	COVID-19 Knowledge point
Procter & Gamble	–	–	–	–	Household Water Treatment in Latin America
USAID – Bureau for Humanitarian Assistance	–	254,610	254,610	–	Tech Top up
D. Keith MacDonald Foundation	75,000	–	75,000	–	Ethiopia WET Centre
UNICEF	–	143,029	143,029	–	HWTS Venezuela
Wash'EM ACF	–	132,534	132,534	–	WASH'EM 4
Swiss Development Council	–	16,569	10,103	6,466	WASH Hub
Peter Gilgan Foundation	–	101,618	7,022	94,596	Wash in schools South Africa
Bill & Melinda Gates Foundation Organization for wash in school for Kenya	–	255,191	23,680	231,511	Sanitation Hub
	–	40,000	30,000	10,000	Wash in schools for Kenya
Manitoba MCIC	–	85,000	65,750	19,250	Menstrual health and Hygiene Honduras
Global Water Centre	–	8,790	8,790	–	Youth activity Member Handbook
Water Missions	–	100,313	100,313	–	Online learning
Rotary Club	–	25,000	–	25,000	Carbon credits study
Fig Tree Foundation	–	15,000	–	15,000	WASH India
German Toilet Organization	–	18,571	–	18,571	BMGF Sanitation Hub
	\$ 249,601	\$ 1,297,833	\$ 1,127,041	\$ 420,394	



# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 9

Year ended December 31, 2022, with comparative information for 2021

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## 7. Deferred contributions (continued):

Deferred contributions from individuals at the end of the year include deferred contributions of \$25,171,625 (2021 – 23,588,312) from the Chair of the Board.

## 8. Government assistance:

The Government of Canada created programs called the Canada Emergency Wage Subsidy (“CEWS”), Canada Emergency Rent Subsidy (“CERS”) and the Canada Recovery Hiring Program (“CRHP”) to provide financial assistance to companies who experienced a drop in revenue resulting from the COVID-19 outbreak. CAWST met the eligibility requirements for these programs and received \$nil (2021 – \$469,623) for the CEWS program and \$92,114 (2021 – \$34,430) for the CRHP program, \$nil (2021 – \$34,655) for the CERS program which are recognized in government assistance on the statement of operations for the year ended December 31, 2022. The entire amount is non-repayable.

## 9. Related party transactions:

During the year, the Chair of the Board donated marketable securities in the amount of \$3,549,895 (2021 – \$1,904,361) and donated cash of \$1,825,000 (2021 – \$700,000).

During the year, CAWST received cash donations of \$51,400 (2021 – \$33,648) and donated marketable securities of \$24,079 (2021 – \$4,969) from other directors and executives.

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.

## 10. Commitments:

CAWST has a lease agreement for the premises expiring on February 28, 2027. The minimum lease payments are as follow:

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2023	\$	131,091
2024		136,840
2025		137,990
2026		149,489
Thereafter		25,298
	\$	580,708

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# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 10

Year ended December 31, 2022, with comparative information for 2021

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## 11. Fundraising activities:

To comply with the disclosure requirement of the Alberta Charitable Fundraising Act fundraising expenses incurred during fiscal year 2022 were \$146,896 (2021 – \$48,496).

## 12. Financial instruments related risks:

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

### (a) Credit risk:

CAWST's exposure to credit risk is on cash and cash equivalents, investments, 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 consist of cash and bank balances and term deposits represent guaranteed investment certificates 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 large Canadian Chartered Banks. Credit is only extended to those entities that management believes have the financial capacity to pay obligations due to CAWST. Credit risk on investments is minimized by ensuring that the investments are diversified across different classes of assets and such investments are managed by a professional investment manager.

Management and the Board of Directors periodically review its investments to ensure that the credit risk assumed is appropriate.

### (b) Liquidity risk:

Liquidity risk is the risk that CAWST may encounter difficulty in raising donations to meet commitments associated with financial instruments and its obligations. CAWST manages its liquidity risk by monitoring its operating requirements. CAWST continues to prepare budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

# CENTRE FOR AFFORDABLE WATER AND SANITATION TECHNOLOGY

Notes to Financial Statements, page 11

Year ended December 31, 2022, with comparative information for 2021

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## 12. Financial instruments related risks (continued):

### (c) Market risk:

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk; currency risk, interest rate risk and other price risk.

#### (i) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. CAWST is exposed to other price risk through its investments quoted on an active market.

#### (ii) 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 and investments.

#### (iii) Foreign currency risk:

CAWST is exposed to foreign currency fluctuations as it holds cash and investment denominated in various foreign currencies. The Company does not enter into any hedging arrangements.

There is no change in risk exposures from 2021.