

FRESHWATER FUTURE CANADA

Financial Statements
For the year ended September 30, 2023
and Independent Auditor's Report

FRESHWATER FUTURE CANADA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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CHARTERED
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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Freshwater Future Canada:

Qualified Opinion

We have audited the financial statements of Freshwater Future Canada (the "Organization"), which comprise the statement of financial position as at September 30, 2023, and the statement of operations and fund balance and 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at September 30, 2023, 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 Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses, and cash flows from operations for the years ended September 30, 2023 and 2022, current assets as at September 30, 2023 and 2022, and net assets as at October 1 and September 30 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended September 30, 2022 was modified accordingly because of the possible effects of this limitation in scope.

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 qualified 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.

Durward Jones Barkwell + Company LLP

Durward Jones Barkwell & Company LLP
Licensed Public Accountants
Welland, Ontario
February 13, 2024

FRESHWATER FUTURE CANADA
 STATEMENT OF OPERATIONS AND FUND BALANCE
 YEAR ENDED SEPTEMBER 30, 2023

	<u>2023</u>	<u>2022</u>
REVENUE		
Donations	\$ 6,558	\$ 1,117
Grants	42,390	73,805
Contributed services (Note 3)	11,338	5,911
	<u>60,286</u>	<u>80,833</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Bank charges and interest	29	27
Insurance	1,255	1,218
Office supplies	1,105	636
Professional fees	9,040	6,952
Subcontracting	54,404	49,106
Travel	2,670	1,595
	<u>68,503</u>	<u>59,534</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(8,217)	21,299
FUND BALANCE, BEGINNING OF YEAR	<u>50,841</u>	<u>29,542</u>
FUND BALANCE, END OF YEAR	\$ 42,624	\$ 50,841

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

FRESHWATER FUTURE CANADA

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2023

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash	\$ 41,977	\$ 54,848
HST recoverable	4,469	1,766
Prepaid expenses	1,077	1,077
	<u>\$ 47,523</u>	<u>\$ 57,691</u>
LIABILITY		
Current liability		
Accounts payable and accrued charges	\$ 4,899	\$ 6,850
FUND BALANCE	<u>42,624</u>	<u>50,841</u>
	<u>\$ 47,523</u>	<u>\$ 57,691</u>

Approved by the Board:

_____ Member

_____ Member

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

FRESHWATER FUTURE CANADA

STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2023

	2023	2022
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (8,217)	\$ 21,299
Changes in non-cash operating assets and liabilities		
HST recoverable	(2,703)	(1,267)
Accounts payable and accrued charges	(1,951)	1,950
Deferred contributions	-	(46,075)
	(12,871)	(24,093)
DECREASE IN CASH	(12,871)	(24,093)
CASH, BEGINNING OF YEAR	54,848	78,941
CASH, END OF YEAR	\$ 41,977	\$ 54,848

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

FRESHWATER FUTURE CANADA

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Purpose of the organization

Freshwater Future Canada is incorporated without share capital under the Ontario Corporations Act as a non-for-profit organization. The Organization's purpose is to support the Great Lakes' ecosystem research, education, and management. The Organization is a registered charity and is exempt from income taxes under section 149(1)(1) of the Canadian Income Tax Act.

Revenue recognition

The Organization recognizes revenue using the deferral method. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted revenues are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed services

Contributions of services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the services are used in the normal course of the Organization's operations and would otherwise have been purchased.

Financial instruments

(a) *Measurement of financial instruments*

(i) *Initial measurement*

The Organization initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value.

(ii) *Subsequent measurement*

The Organization subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in income in the period incurred.

Financial assets measured at amortized cost include cash.

Financial liabilities measured at amortized cost include accounts payable and accrued charges.

(b) *Transaction costs*

Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in income over the life of the instrument using the straight-line method.

FRESHWATER FUTURE CANADA

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION — continued

Financial instruments — continued

(c) *Impairment*

For financial assets measured at cost or amortized cost, the Organization determines whether there are indications of possible impairment. When there are, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

Uses of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are used when accounting for items such as determination of deferred contributions, contingent liabilities and accrued charges as well as revenue recognition. Actual results could differ from management's best estimates, as additional information becomes available in the future.

2. FINANCIAL RISK MANAGEMENT

The Organization has a comprehensive risk management framework to monitor, evaluate, and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, market (other price) risk, currency risk, and liquidity risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

It is management's opinion that the Organization is not exposed to significant interest rate, market, currency, credit, or liquidity risks arising from its financial instruments.

3. CONTRIBUTED SERVICES

During the year ended September 30, 2023, the Organization received contributed services of \$11,338 (2022 - \$5,911), representing the estimated fair value contributions of management, administrative, and bookkeeping services.

FRESHWATER FUTURE CANADA

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

4. IMPACT OF COVID-19

As the pandemic continues to evolve with the emergence of new variants, entities may experience conditions often associated with general economic downturn, including but not limited to, financial market volatility, declining credit, potential return of government intervention, changes in labour markets, and other restructuring activities. The continuation of these circumstances could have a negative impact on an entity's financial conditions and results. Further, inflation, supply-chain disruptions, and labour shortages are affecting companies in different industries to varying degrees.

The ongoing impact of the COVID-19 pandemic and the uncertain economic conditions affecting major markets and economies still remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods.
