

**WATER FOR PEOPLE CANADA**  
**FINANCIAL STATEMENTS**  
**AS AT SEPTEMBER 30, 2012**

Contents

Exhibit - 1	Auditors' Report
Exhibit - 2	Statement of Operations and Financial Position
Exhibit - 3	Statement of Operations
Exhibit - 4	Statement of Cash Flows
Exhibit - 5	Notes to Financial Statements



2800 14th Avenue, Suite 400  
Markham, ON L3R 0E4  
905-477-6996 Toronto Line: 416-494-4892  
Fax: 905-477-9381

Exhibit - 1

## INDEPENDENT AUDITORS' REPORT

To the Members of  
Water For People Canada  
Toronto, Ontario

We have audited the accompanying financial statements of Water For People Canada which comprise of the statement of financial position as at September 30, 2012 and the statements of operations, and changes in fund balances and cash flows for the period January 1, 2012 to September 30, 2012, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibilities 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.

### Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the charity as at September 30, 2012 and its financial performance and its cash flows for the period ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Comparative Information

Without modifying our opinion, we draw attention to Note 9 to the financial statements, which describes that Water for People Canada adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2011 and January 1, 2011, and the statements of operations, changes in net assets and cash flows for the ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited under the new standards.

Markham, Ontario  
February 14, 2013

**Applebaum, Commisso LLP**  
Licensed Public Accountants

**WATER FOR PEOPLE - CANADA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2012**

	<i>General Fund</i>	<i>Restricted Asset Fund</i>	<i>Total 2012 September 30</i>	<i>Total 2011 December 31</i>	<i>Total 2011 January 1</i>
<b>ASSETS</b>					
<b>Current</b>					
Cash	29,230	20,031	49,261	58,561	43,043
Prepaid expenses and other assets	-	-	-	5,000	-
<b>Total Assets</b>	<b>\$ 29,230</b>	<b>\$ 20,031</b>	<b>\$ 49,261</b>	<b>\$ 63,561</b>	<b>\$ 43,043</b>
<b>LIABILITIES</b>					
<b>Current</b>					
Accounts payable and accrued liabilities	6,849	-	6,849	5,905	5,392
<b>Total liabilities</b>	<b>\$ 6,849</b>	<b>\$ -</b>	<b>\$ 6,849</b>	<b>\$ 5,905</b>	<b>\$ 5,392</b>
<b>FUND BALANCES (Exhibit - 3)</b>					
Externally restricted	-	20,031	20,031	-	-
Unrestricted	22,381	-	22,381	57,656	37,651
	22,381	20,031	42,412	57,656	37,651
	<b>\$ 29,230</b>	<b>\$ 20,031</b>	<b>\$ 49,261</b>	<b>\$ 63,561</b>	<b>\$ 43,043</b>

\_\_\_\_\_ - Director

**WATER FOR PEOPLE - CANADA**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**  
**FOR THE PERIOD JANUARY 1 2012 TO SEPTEMBER 30, 2012**

	General Fund		Restricted Fund		Total	
	2012 9 months	2011 12 months	2012 9 months	2011 12 months	2012 9 months	2011 12 months
<b>REVENUE</b>						
Contributions, Grants and Sponsorships	\$ 364,208	\$ 375,419	\$ 21,443	\$ 7,500	\$ 385,651	\$ 382,919
<b>EXPENSES</b>						
Program Services:						
Developing Countries	-	7,396	274,015	265,875	274,015	273,271
Supporting Services:						
Management and General	69,469	87,044	-	-	69,469	87,044
Fundraising	57,411	2,599	-	-	57,411	2,599
Total Support Services	126,880	89,643	-	-	126,880	89,643
Total Expenses	126,880	97,039	274,015	265,875	400,895	362,914
<b>Excess (deficiency) of revenues over expenses</b>	237,328	278,380	(252,572)	(258,375)	(15,244)	20,005
Fund balances - beginning of the year	57,656	37,651	-	-	57,656	37,651
Transfer of internally restricted contributions	(272,603)	(258,375)	272,603	258,375	-	-
Fund balances - end of year	\$ 22,381	\$ 57,656	\$ 20,031	\$ -	\$ 42,412	\$ 57,656

\_\_\_\_\_ - Director

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

WATER FOR PEOPLE - CANADA  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD JANUARY 1, 2012 TO SEPTEMBER 30, 2012

	Operating Activities			Financing and Investing Activities		
	General Fund 2012 9 months	Restricted Fund 2012 9 months	Total 2012 9 months	General Fund 2012 9 months	Restricted Fund 2012 9 months	Total 2012 9 months
<b>Sources of cash:</b>						
Contributions, grants and sponsorships	\$ 364,208	21,443	\$ 385,651	\$ -	-	\$ -
Interfund transfers	-	272,603	272,603	-	-	-
			430,094			
			2011 12 months			2011 12 months
			234,693			
<b>Uses of cash:</b>						
Interfund transfers	(272,603)	-	(272,603)	-	-	-
Management and general	(63,525)	-	(63,525)	-	-	-
Fundraising	(57,411)	-	(57,411)	-	-	-
Developing countries	-	(274,015)	(274,015)	-	-	-
			(307,047)			
			2011 12 months			2011 12 months
			13,152			
Net increase in cash	(29,331)	20,031	(9,300)	-	-	-
Cash, beginning of year	58,561	-	58,561	-	-	-
Cash, end of year	\$ 29,230	20,031	\$ 49,261	-	-	\$ -

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

**WATER FOR PEOPLE CANADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM JANUARY 1, 2012**  
**TO SEPTEMBER 30, 2012**

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**1. CORPORATE STATUS**

The organization is a corporation without share capital incorporated under the Canada Corporations Act with a registered charitable number 89822 1973RR0001 and is exempt from income tax. As a registered charity under the Income Tax Act, the organization may issue receipts for charitable donations. The organization was established with the mission of providing sustainable drinking water to people in third world countries around the world.

**2. SIGNIFICANT ACCOUNTING POLICIES****a) Revenue and expenses recognition**

Revenue and expenses are recognized on the accrual basis with the exception that donations are recognized on a cash basis, or when receivable if the amount can be reasonably estimated and collection reasonably assured. The organization has also chosen the restricted Fund Method under generally accepted accounting principles for disclosure purposes.

**b) Contributed services**

The organization would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Because of the difficulty of compiling these hours, contributed services are not recognized in the financial statements.

**c) Use of estimates**

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires the trustees 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. By their nature, these estimates are subject to measurement uncertainty and the effect on the statement of cash flows in such estimates in future periods could be significant.

**d) Restricted fund**

All restricted donations received are allocated and distributed to/from the restricted fund. All other donations are allocated to the general fund.

**e) Capital assets**

The not-for-profit has elected to expense the purchase of all capital asset purchases made.

**3. FINANCIAL INSTRUMENTS**

The not-for-profit's financial instruments consist of cash, other assets and accounts payables and accrued liabilities. Unless otherwise noted, it is trustees's opinion that the not-for-profit is not exposed to significant interest, currency or credit risks arising from these financial instruments.

**4. NON-MONETARY DONATIONS**

Office rent totaling approximately \$9,600 was donated to the not-for-profit in the current year.

**WATER FOR PEOPLE CANADA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD FROM JANUARY 1, 2012  
TO SEPTEMBER 30, 2012**

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**5. RELATED PARTIES*****Water For People - United States***

Water For People Canada and Water For People - United States (WFPU) established an Agency Agreement in 1996 which defined the original objectives of the not-for-profit as follows: to provide financial and technical assistance that help people in developing countries obtain and sustain safe drinking water and adequate sanitation systems. These objectives are identical to those of WFPU. The Agency Agreement provides for coordination and guidance on projects between the not-for-profit and WFPU.

2 of the 10 members of the not-for-profit's board of directors also serve on the WFPU board. The President of WFPU serves as ad hoc member of the not-for-profit's board.

During the year the resources of the not-for-profit amounting to \$274,015 (2011 - \$265,875) were transferred to WFPU and designated to be held in Trust and used for the purposes designated solely by the not-for-profit. In accordance with the Agency Agreement WFPU headquarters has provided overhead and staff support to the not-for-profit at no charge.

**6. INTERFUND TRANSFER**

The not-for-profit often transfers funds internally to the restricted fund based on board resolutions to internally restrict certain funds for water purification projects throughout Africa.

**7. RESTRICTED FUND ASSETS**

The restricted fund assets are held in the restricted fund to be distributed to the Water for People programs in Bolivia.

**8. CHANGE OF FISCAL YEAR END**

The charity changed its fiscal year end to September 30.

**WATER FOR PEOPLE CANADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM JANUARY 1, 2012**  
**TO SEPTEMBER 30, 2012**

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**9. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS**

Effective January 1, 2011, the Organization adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations. These are the not-for-profit's first financial statements prepared in accordance with these accounting standards for not-for-profit organizations (Part III) which has been applied retrospectively. The accounting policies set out in the following significant accounting policy note have been applied in preparing the financial statements for the period ended January 1, 2012 to September 30, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening balance sheet at January 1, 2011 (the not-for-profit's date of transition).

The Corporation issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by CICA Handbook - Accounting XFI. The adoption of the accounting standards for not-for-profit organizations (Part III) had no impact on the previously reported assets, liabilities and equity of the not-for-profit, and accordingly; no adjustments have been recorded in the comparative balance sheet, statement of operations, statement of financial position and the cash flow statement. Certain of the not-for-profit's disclosures included in these financial statements reflect the new disclosure requirements.