

Safe Drinking Water Foundation
Financial Statements
December 31, 2010



Hounjet / Tastad / Harpham

Certified General Accountants | Comptables Généraux Accrédités

SAFE DRINKING WATER FOUNDATION

DECEMBER 31, 2010

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INDEPENDENT AUDITOR'S REPORT

To the directors of:
Safe Drinking Water Foundation

We have audited the accompanying financial statements of Safe Drinking Water Foundation, which comprise the statement of financial position as at December 31, 2010, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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 responsibility

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.

Basis for qualified opinion

Safe Drinking Water Foundation derives a significant portion of its revenues from donations, the completeness of which is not susceptible to audit verification. Consequently, we were unable to obtain sufficient appropriate audit evidence to support the completeness of donation revenue, and we were unable to determine whether any adjustments were necessary.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Safe Drinking Water Foundation as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Saskatoon, Saskatchewan
May 6, 2011

Hounjet Tastad Harpham

CERTIFIED GENERAL ACCOUNTANTS

SAFE DRINKING WATER FOUNDATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
REVENUE	\$ <u>84,688</u>	\$ <u>166,912</u>
EXPENDITURES		
Advertising and promotion	-	852
Amortization	1,382	1,727
Analysis	-	1,060
Bad debt	-	95
Community development	-	1,402
Computer support	512	756
Courier and postage	10,166	12,039
Honorariums	3,420	2,000
Insurance	750	750
Interest and bank charges	671	726
Lab supplies	-	716
Meals and entertainment	22	46
Memberships and subscriptions	80	-
Newsletter	-	4,506
Operation water biology	4,412	-
Operation water drop	7,910	25,000
Operation water pollution	11,873	6,489
Presentations	20	2,786
Printing	813	982
Professional fees	5,750	4,288
Recognition	-	453
Rent	8,610	8,610
Salaries and benefits	61,442	76,366
Supplies	703	5,872
Technical	8,122	11,475
Telephone	3,200	4,176
Travel	1,898	3,150
Website	2,444	12,251
Workshops	1,000	110
	<u>135,200</u>	<u>188,683</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	<u>\$ (50,512)</u>	<u>\$ (21,771)</u>

(see accompanying notes)

SAFE DRINKING WATER FOUNDATION
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>OPERATING FUND</u>	<u>CAPITAL ASSET FUND</u>	<u>2010</u>	<u>2009</u>
BALANCE, beginning of year	\$ 107,755	\$ 6,909	\$ 114,664	\$ 136,432
DEFICIENCY OF REVENUE OVER EXPENDITURES	_____ (49,130)	_____ (1,382)	_____ (50,512)	_____ (21,771)
BALANCE, end of year	\$ <u>58,625</u>	\$ <u>5,527</u>	\$ <u>64,152</u>	\$ <u>114,661</u>

(see accompanying notes)



SAFE DRINKING WATER FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Deficiency of revenue over expenditures	\$ (50,512)	\$ (21,771)
Items not involving cash:		
Amortization	<u>1,382</u>	<u>1,727</u>
	(49,130)	(20,044)
Net change in working capital:		
GST receivable	(943)	(13)
Inventory	(90)	4,560
Accrued interest receivable	-	684
Prepaid expenses	(109)	254
Accounts payable	<u>1,134</u>	<u>(5,385)</u>
	(49,138)	(19,944)
INVESTING ACTIVITIES		
Proceeds from disposal of capital assets	<u>-</u>	<u>2,000</u>
DECREASE IN CASH	(49,138)	(17,944)
CASH, beginning of year	<u>77,991</u>	<u>95,935</u>
CASH, end of year	<u>\$ 28,853</u>	<u>\$ 77,991</u>
<hr/>		
CASH IS REPRESENTED BY:		
Cash	\$ 23,060	\$ 72,896
Investments	6,097	6,078
Credit card payable	<u>(304)</u>	<u>(983)</u>
	<u>\$ 28,853</u>	<u>\$ 77,991</u>

(see accompanying notes)



**SAFE DRINKING WATER FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010**

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT		
Cash	\$ 23,060	\$ 72,896
Investments (Note 2)	6,097	6,078
GST receivable	2,343	1,400
Inventory (Note 3)	30,930	30,840
Prepaid expenses	<u>109</u>	<u>-</u>
	62,539	111,214
CAPITAL ASSETS (Note 4)	<u>5,527</u>	<u>6,909</u>
	<u>\$ 68,066</u>	<u>\$ 118,123</u>
LIABILITIES		
CURRENT		
Credit card payable (Note 5)	\$ 304	\$ 983
Accounts payable	<u>3,610</u>	<u>2,476</u>
	<u>3,914</u>	<u>3,459</u>
FUND BALANCES		
OPERATING FUND (Note 6)	58,625	107,755
CAPITAL ASSET FUND (Note 6)	<u>5,527</u>	<u>6,909</u>
	<u>64,152</u>	<u>114,664</u>
	<u>\$ 68,066</u>	<u>\$ 118,123</u>

APPROVED ON BEHALF OF THE BOARD:

 _____, Director
 _____, Director

(see accompanying notes)



**SAFE DRINKING WATER FOUNDATION
SCHEDULE OF PROJECTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>2010</u>	<u>2009</u>
ADMINISTRATION		
Revenue		
Corporate contributions	\$ 10,332	\$ -
Corporate memberships	526	(50)
Foundation donations	4,000	15,000
Green Street	1,100	86
Individual donations	8,247	698
Individual memberships	653	202
Interest	18	(143)
Memorial donations	-	650
Miscellaneous	-	120
Rebates	34	-
Student subsidy	4,440	4,440
	<u>29,350</u>	<u>21,003</u>
Expenditures		
Advertising and promotion	-	441
Amortization	1,382	1,727
Bad debt	-	95
Computer support	512	78
Courier and postage	231	36
Honorariums	620	-
Insurance	750	750
Interest and bank charges	637	665
Meals and entertainment	22	46
Memberships and subscriptions	80	-
Printing	664	253
Professional fees	5,750	4,288
Recognition	-	453
Rent	-	610
Salaries and benefits	13,748	6,366
Supplies	108	116
Telephone	2	751
Travel	-	506
	<u>24,506</u>	<u>17,181</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>\$ 4,844</u>	<u>\$ 3,822</u>

(see accompanying notes)



SAFE DRINKING WATER FOUNDATION
SCHEDULE OF PROJECTS, Continued
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
ALBERTA CHAPTER PROJECT		
Revenue		
Interest	\$ -	\$ 220
Expenditures		
Interest and bank charges	34	45
Newsletter	-	2,079
Workshops	1,000	-
	<u>1,034</u>	<u>2,124</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	\$ <u>(1,034)</u>	\$ <u>(1,904)</u>
<hr/>		
ADVANCED ABORIGINAL WATER TREATMENT TEAM		
Revenue		
Foundation donations	\$ -	\$ 2,500
Individual donations	115	3,194
Specified donations	-	18,000
	<u>115</u>	<u>23,694</u>
Expenditures		
Analysis	-	636
Community development	-	82
Courier and postage	-	163
Honorariums	2,800	2,000
Interest and bank charges	-	14
Newsletter	-	137
Presentations	-	900
Rent	861	1,000
Salaries and benefits	1,675	7,000
Supplies	50	500
Telephone	378	1,455
Travel	1,898	1,894
Website	-	2,815
	<u>7,662</u>	<u>18,596</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ <u>(7,547)</u>	\$ <u>5,098</u>

(see accompanying notes)

SAFE DRINKING WATER FOUNDATION
SCHEDULE OF PROJECTS, Continued
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
COMMUNITY DEVELOPMENT		
Revenue		
Individual donations	\$ -	\$ 3,050
Expenditures		
Analysis	-	423
Community development	-	500
Courier and postage	-	20
Newsletter	-	1,015
Presentations	-	2
Printing	-	93
Rent	-	1,000
Salaries and benefits	-	5,000
Supplies	-	669
Telephone	-	820
	<u>-</u>	<u>9,542</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	<u>\$ -</u>	<u>\$ (6,492)</u>

	<u>2010</u>	<u>2009</u>
POLICY PROGRAMS		
Revenue		
	\$ -	\$ -
Expenditures		
Courier and postage	38	-
Printing	149	-
Salaries and benefits	<u>1,675</u>	<u>-</u>
	<u>1,862</u>	<u>-</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	<u>\$ (1,862)</u>	<u>\$ -</u>

(see accompanying notes)



SAFE DRINKING WATER FOUNDATION
SCHEDULE OF PROJECTS, Continued
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
PRESENTATIONS		
Revenue		
Foundation donations	\$ -	\$ 30,000
Expenditures		
Rent	-	1,000
Salaries and benefits	-	5,000
Supplies	-	500
Technical	-	11,475
	<u>-</u>	<u>17,975</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 12,025</u>

	<u>2010</u>	<u>2009</u>
RESEARCH FINGERPRINTING AND ARSENIC		
Revenue		
Specified donations	\$ -	\$ 7,000
Expenditures		
Salaries and benefits	-	8,000
DEFICIENCY OF REVENUE OVER EXPENDITURES	<u>\$ -</u>	<u>\$ (1,000)</u>

	<u>2010</u>	<u>2009</u>
REVERSE OSMOSIS UNITS		
Revenue		
Reverse osmosis units	\$ -	\$ 1,549
Expenditures		
Advertising and promotion	-	410
EXCESS OF REVENUE OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 1,139</u>

(see accompanying notes)



SAFE DRINKING WATER FOUNDATION
SCHEDULE OF PROJECTS, Continued
FOR THE YEAR ENDED DECEMBER 31, 2010

SCHOOL PROGRAMS	<u>2010</u>	<u>2009</u>
Revenue		
Canadian school registrations	\$ 1,478	\$ 1,680
Corporate contributions	6,000	5,590
Green Street	-	3,534
Individual donations	1,732	21,240
Miscellaneous	-	301
Program revenue	50	-
Rebates	23	-
Specified donations	-	1,220
TD Friends of the Environment	45,620	42,662
US school registrations	320	1,170
	<u>55,223</u>	<u>77,397</u>
Expenditures		
Community development	-	820
Computer support	-	668
Courier and postage	9,897	11,821
Lab supplies	-	716
Newsletter	-	1,275
Operation water biology	4,412	-
Operation water drop	7,910	25,000
Operation water pollution	11,873	6,489
Presentations	20	1,884
Printing	-	636
Rent	7,749	4,000
Salaries and benefits	42,669	40,000
Supplies	545	3,587
Telephone	2,820	1,150
Travel	-	750
Website	-	8,499
Workshops	-	110
	<u>87,895</u>	<u>107,405</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	<u>\$ (32,672)</u>	<u>\$ (30,008)</u>

(see accompanying notes)

SAFE DRINKING WATER FOUNDATION
SCHEDULE OF PROJECTS, Continued
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
WEBSITE		
Revenue		
Individual contributions	\$ -	\$ 3,000
Expenditures		
Computer support	-	10
Interest and bank charges	-	4
Rent	-	1,000
Salaries and benefits	1,675	5,000
Supplies	-	500
Technical	8,122	-
Website	<u>2,444</u>	<u>937</u>
	<u>12,241</u>	<u>7,451</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	\$ <u>(12,241)</u>	\$ <u>(4,451)</u>

(see accompanying notes)



SAFE DRINKING WATER FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

The foundation was incorporated under the laws of the Province of Saskatchewan on January 1, 1998. The foundation is a registered charitable organization. Its primary purpose is to promote safe drinking water through supporting innovative research and development, increase awareness of health concerns from consumption of poor quality water, and act as a catalyst to ensure that appropriate action is taken to enable the provision of safe drinking water to rural residents.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the organization are in accordance with Canadian generally accepted accounting principles for not-for-profit organizations applied on a basis consistent with that of the preceding year. Outlined below are those policies considered particularly significant.

Capital assets and amortization

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided using the declining balance method at a rate intended to amortize the cost of the asset over its estimated useful life. The annual rate is 20% for all classes of capital assets. Additions during the current year are amortized at one-half their normal rates, and no amortization is taken in the year of disposition. Amortization expense is reported in the Capital Asset Fund.

Cash and cash equivalents

Cash and cash equivalents include cash, accounts receivable, and accounts payable. These financial assets and liabilities held for trading are measured at their carrying amount since it is comparable to their fair value due to the approaching maturity of these financial instruments.

Donated Materials and Services

The foundation benefits from the donation of services from its Board of Directors, the value of which cannot be reasonably estimated and is not reflected in these financial statements.

Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they became known.

Financial instruments

Section 3855 of the *CICA Handbook* establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the balance sheet when the foundation becomes a party to the contractual provisions of the financial instrument or non-financial derivative contract. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, available for sale, held to maturity, loans and receivables, or other financial liabilities. Transaction costs are capitalized on initial recognition, except financial instruments designated as held for trading where transaction costs are expensed.

Financial assets held to maturity are measured at amortized cost using the effective interest method.

SAFE DRINKING WATER FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund accounting

The foundation maintains its accounts on a fund accounting basis whereby separate funds are established for the purpose of accounting and reporting based on specific activities.

Income taxes

The foundation is incorporated as a not-for-profit organization, therefore its earnings are not subject to income tax and no provision has been made for them in these financial statements.

Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined on a first-in, first out basis.

Revenue recognition

Pledges are recognized as revenue when the amount can be reasonably estimated and collection of the pledge is reasonably certain.

Sales of inventory are recognized at the time of shipment of the product.

2. INVESTMENTS

The investment is a one year cashable GIC that is classified as held to maturity. It matures on November 30, 2011 with an interest rate of 1.00%.

The foundation is exposed to liquidity risk while holding these investments. Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments and may result from an inability to sell a financial asset quickly at close to its fair value. The foundation enters into transactions to purchase goods and services on credit, borrow funds from creditors, etc. for which repayment is required at various maturity dates. Liquidity is measured by reviewing the foundation's future net cash flows for the possibility of a negative cash flow. The foundation manages the liquidity risk resulting from its accounts payable by investing in liquid assets.

3. INVENTORY

	<u>2010</u>	<u>2009</u>
Operation Water Biology kits	\$ 6,214	\$ -
Operation Water Drop - elementary school kits	2,816	4,090
Operation Water Drop - high school kits	13,746	17,900
Operation Water Pollution	8,154	8,850
	<u>\$ 30,930</u>	<u>\$ 30,840</u>



SAFE DRINKING WATER FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

4. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2010</u>	<u>Net 2009</u>
Computer equipment	\$ 6,454	\$ 4,075	\$ 2,379	\$ 2,973
Leasehold improvements	4,995	2,246	2,749	3,437
Office equipment	765	366	399	499
	<u>\$ 12,214</u>	<u>\$ 6,687</u>	<u>\$ 5,527</u>	<u>\$ 6,909</u>

5. CREDIT CARD PAYABLE

The credit card payable consists of a Visa credit card authorized to \$15,000. Interest on the Visa is charged monthly at a rate of 19.99%.

6. FUND PURPOSES

- a) The purpose of the capital asset fund is to maintain a reserve to fund the organization's capital asset purchases, disposals, and amortization.
- b) The purpose of the operating fund is for day to day operations.

7. COMPARATIVE STATEMENTS

The prior year's financial statements were prepared by another accountant. Certain accounts from the prior year's financial statements have been reclassified for comparative purposes.

8. CONTRACTUAL OBLIGATIONS

The Foundation has signed a 5-year lease to occupy the premises in the building known as Unit 1 - 912 Idylwyld Drive North Saskatoon, Saskatchewan. The lease will expire on July 31, 2013. The lease payments due in each of the next five years are as follows:

2011	\$ 6,000
2012	6,000
2013	3,500
2014	-
2015	-