

**ALBERTA WATER AND WASTEWATER
OPERATORS ASSOCIATION**

Financial Statements

Year Ended July 31, 2017



INDEPENDENT AUDITOR'S REPORT

To the Members of Alberta Water and Wastewater Operators Association

Report on the Financial Statements

We have audited the accompanying financial statements of Alberta Water and Wastewater Operators Association, which comprise the statement of financial position as at July 31, 2017 and the statements of operations, changes in net assets 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 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 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 qualified opinion on the results of operations and cash flows and our unmodified audit opinion on the financial position.

Basis for Qualified Opinion on the Results of Operations and Cash Flows

For the year ended July 31, 2016, the Association derived some of its membership revenues from sources for which the completeness was not susceptible to satisfactory audit verification. Accordingly, verification of these specific revenues was limited to the amounts recorded in the records of Alberta Water and Wastewater Operators Association and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses and cash flow from operations for the year ended July 31, 2016 and current assets and net assets as of July 31, 2016. Our audit opinion on the financial statements for the year ended July 31, 2016 was qualified accordingly. Since opening balances affect the determination of the results of operations and cash flows, we were unable to determine whether adjustments to the results of operations and cash flows might be necessary for the year ended July 31, 2017. Our opinion on the current year's financial statements is modified because of the possible effects of this limitation in scope in the previous year.

Qualified Opinion on the Results of Operations and Cash Flows

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion on the Results of Operations and Cash Flow paragraph, the statements of operations, changes in net assets and cash flows present fairly, in all material respects, the results of operations and cash flows of Alberta Water and Wastewater Operators Association, for the year ended July 31, 2017 in accordance with Canadian accounting standards for not-for-profit organizations.

Opinion on the Statement of Financial Position

In our opinion, the financial statements present fairly, in all material respects the financial position of Alberta Water and Wastewater Operators Association, as at July 31, 2017 in accordance with Canadian accounting standards for not-for-profit organizations.

Edmonton, Alberta
January 10, 2018


Chartered Accountants

ALBERTA WATER AND WASTEWATER OPERATORS ASSOCIATION


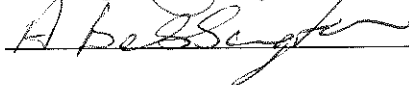
Statement of Financial Position

July 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 56,655	\$ 125,069
Term deposits (Note 4)	406,457	613,937
Accounts receivable	-	10,988
Goods and services tax recoverable	450	2,901
Prepaid expenses	2,386	2,386
	<u>465,948</u>	<u>755,281</u>
TERM DEPOSITS (Note 4)	1,431,797	1,195,158
CAPITAL ASSETS (Note 5)	39,333	36,058
INTANGIBLE ASSETS (Note 6)	68,800	-
	<u>\$ 2,005,878</u>	<u>\$ 1,986,497</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 8,850	\$ 24,028
Vacation payable	36,500	21,500
Unearned revenue - courses	14,963	-
Deferred contributions - scholarships (Notes 7, 8)	104,250	107,750
	<u>164,563</u>	<u>153,278</u>
NET ASSETS		
Invested in capital and intangible assets	108,133	36,058
Internally restricted for catastrophic events (Note 3)	400,000	400,000
Internally restricted for evergreening courses	325,000	325,000
Internally restricted for online training development	150,000	150,000
Internally restricted for scholarships (Note 8)	110,000	113,000
Internally restricted for training centre	350,000	350,000
Unrestricted	398,182	459,161
	<u>1,841,315</u>	<u>1,833,219</u>
	<u>\$ 2,005,878</u>	<u>\$ 1,986,497</u>

LEASE COMMITMENT (Note 9)

APPROVED BY THE BOARD

 Director
 Director

ALBERTA WATER AND WASTEWATER OPERATORS ASSOCIATION

Statement of Operations

Year Ended July 31, 2017

	2017	2016
REVENUE		
Banff seminar (<i>Schedule 1</i>)	\$ 382,259	\$ 399,202
Courses	654,890	728,364
Material sales	43,981	36,548
Memberships	117,604	116,524
Other income	5,144	10,165
Scholarships (<i>Note 7</i>)	3,500	3,750
Interest income	35,160	26,913
	<u>1,242,538</u>	<u>1,321,466</u>
EXPENSES		
Amortization	15,540	13,712
Banff seminar (<i>Schedule 1</i>)	238,454	231,135
Board expenses	32,068	50,955
Bursaries and honorariums	11,270	11,155
Courses (<i>Note 6</i>)	418,936	447,788
Insurance	6,276	5,519
Interest and bank charges	24,531	25,061
Material purchases	24,216	13,916
Membership levy	24,624	25,217
Newsletter	29,417	24,175
Office	16,078	25,099
Professional fees	10,350	10,700
Projects	-	20,016
Rent	38,755	38,525
Salaries and wages	334,609	294,681
Telephone	6,061	6,531
Webpage	3,257	6,593
	<u>1,234,442</u>	<u>1,250,778</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 8,096</u>	<u>\$ 70,688</u>

ALBERTA WATER AND WASTEWATER OPERATORS ASSOCIATION

Statement of Changes in Net Assets

Year Ended July 31, 2017

	2016 Balance	Excess (deficiency) of revenues over expenses	Investment in capital and intangible assets	2017 Balance
Invested in capital and intangible assets	\$ 36,058	\$ (32,740)	\$ 104,815	\$ 108,133
Internally restricted for catastrophic events <i>(Note 3)</i>	400,000	-	-	400,000
Internally restricted for evergreening courses	325,000	-	-	325,000
Internally restricted for online training development	150,000	-	-	150,000
Internally restricted for scholarships <i>(Note 8)</i>	113,000	(3,000)	-	110,000
Internally restricted for training centre	350,000	-	-	350,000
Unrestricted	459,161	43,836	(104,815)	398,182
	\$ 1,833,219	\$ 8,096	\$ -	\$ 1,841,315

	2015 Balance	Transfers	Excess (deficiency) of revenues over expenses	Investment in capital assets	2016 Balance
Invested in capital assets	\$ 40,370	\$ -	\$ (13,712)	\$ 9,400	\$ 36,058
Internally restricted for catastrophic events <i>(Note 3)</i>	400,000	-	-	-	400,000
Internally restricted for evergreening courses	325,000	-	-	-	325,000
Internally restricted for membership process transition	150,000	(150,000)	-	-	-
Internally restricted for online training development	150,000	-	-	-	150,000
Internally restricted for scholarships <i>(Note 8)</i>	116,000	-	(3,000)	-	113,000
Internally restricted for training centre	-	350,000	-	-	350,000
Unrestricted	581,161	(200,000)	87,400	(9,400)	459,161
	\$ 1,762,531	\$ -	\$ 70,688	\$ -	\$ 1,833,219

ALBERTA WATER AND WASTEWATER OPERATORS ASSOCIATION

Statement of Cash Flows

Year Ended July 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 8,096	\$ 70,688
Items not affecting cash:		
Amortization of capital assets	15,540	13,712
Amortization of intangible assets	17,200	-
	<u>40,836</u>	<u>84,400</u>
Changes in non-cash working capital:		
Accounts receivable	10,988	(10,020)
Goods and services tax	2,451	2,704
Accounts payable and accrued liabilities	(15,178)	7,509
Vacation payable	15,000	10,200
Unearned revenue - courses	14,963	-
Deferred contributions - scholarships	(3,500)	(3,750)
	<u>24,724</u>	<u>6,643</u>
Cash flow from operating activities	<u>65,560</u>	<u>91,043</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(18,815)	(9,400)
Purchase of intangible assets	(86,000)	-
Proceeds from redemption of term deposits	735,679	934,863
Purchases of term deposits	(764,838)	(1,000,818)
Cash flow used by investing activities	<u>(133,974)</u>	<u>(75,355)</u>
INCREASE (DECREASE) IN CASH FLOW	(68,414)	15,688
Cash - beginning of year	<u>125,069</u>	<u>109,381</u>
CASH - END OF YEAR	\$ 56,655	\$ 125,069

ALBERTA WATER AND WASTEWATER OPERATORS ASSOCIATION

Notes to Financial Statements

Year Ended July 31, 2017

1. PURPOSE OF ORGANIZATION

The Association provides education, training and development of training materials for water and wastewater operators residing in Alberta. The Association is a not-for-profit organization for income tax purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not for profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments

Measurement

The entity initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The entity subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash and term deposits. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and vacation payable.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is 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 net income.

Transaction costs

The entity recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Cash

Cash consist of funds held with financial institutions.

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ALBERTA WATER AND WASTEWATER OPERATORS ASSOCIATION

Notes to Financial Statements

Year Ended July 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	30%	declining balance method
Office equipment	20%	declining balance method
Leasehold improvements	5 years	straight-line method
Website	5 years	straight-line method

Intangible assets

Intangible assets consist of rights to course materials acquired. These assets are stated at cost less accumulated amortization and are amortized on a straight line basis over their estimated lives of five years.

Revenue recognition

The Association follows the deferral method of accounting for contributions.

Restricted contributions subject to external restrictions are deferred and recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Membership dues are non-refundable and are recognized when they are received which corresponds to when collection is reasonably assured.

Material sales are recognized when they are received which corresponds to when collection is reasonably assured.

The Banff seminar and courses revenues are recognized when the event is held.

Interest income is recognized when earned.

Other income is recorded when the service is provided or earned.

Contributed goods and services

The Association records the fair market value of contributed goods and services only in the circumstances when the fair market value is determinable and when the goods and services would otherwise be purchased by the association.

ALBERTA WATER AND WASTEWATER OPERATORS ASSOCIATION

Notes to Financial Statements

Year Ended July 31, 2017

3. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments. The following analysis provides information about the Association's risk exposure and concentration as of July 31, 2017.

Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its obligations associated with financial liabilities. Cash flow from operation provides a substantial portion of the Association's cash requirements. Additional cash requirements are met with the use of the available term deposits as required.

Liquidity risk is managed through annual budgets and review of operating activity. The budget is updated as necessary depending on various factors, including special projects and general industry conditions. The budget is approved by the board of directors. Additionally, the Association has restricted funds of \$400,000 for catastrophic events that could potentially occur. Board approval is required to establish or use internally restricted funds.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Association is exposed to interest rate risk through its interest bearing investments. The Association has a conservative policy in place to mitigate risk from the volatility of the financial market. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure by staggering term deposit maturity dates.

4. TERM DEPOSITS

Term deposits consist of:

	<u>2017</u>	<u>2016</u>
Guaranteed investment certificates	\$ 1,812,864	\$ 1,792,602
Accrued interest receivable	25,390	16,493
	<u>1,838,254</u>	<u>1,809,095</u>
Less term deposits redeemable within one year	<u>(406,457)</u>	<u>(613,937)</u>
	<u>\$ 1,431,797</u>	<u>\$ 1,195,158</u>

The Association's guaranteed investment certificates bear interest at rates ranging from 1.00% to 4.50% annually and mature on dates from November, 2017 to November, 2021.

ALBERTA WATER AND WASTEWATER OPERATORS ASSOCIATION

Notes to Financial Statements

Year Ended July 31, 2017

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2017 Net book value
Computer equipment	\$ 17,314	\$ 14,306	\$ 3,008
Office equipment	16,724	11,459	5,265
Leasehold improvements	15,807	15,807	-
Website	54,135	23,075	31,060
	<u>\$ 103,980</u>	<u>\$ 64,647</u>	<u>\$ 39,333</u>
	Cost	Accumulated amortization	2016 Net book value
Computer equipment	\$ 17,314	\$ 13,017	\$ 4,297
Office equipment	16,724	10,142	6,582
Leasehold improvements	15,807	13,700	2,107
Website	35,320	12,248	23,072
	<u>\$ 85,165</u>	<u>\$ 49,107</u>	<u>\$ 36,058</u>

6. INTANGIBLE ASSETS

	2017	2016
Rights to course materials	\$ 86,000	\$ -
Accumulated amortization	<u>(17,200)</u>	<u>-</u>
	<u>\$ 68,800</u>	<u>\$ -</u>

Included in course expenses for the year ended July 31, 2017 is \$17,200 (2016 - nil) relating to amortization of course materials.

ALBERTA WATER AND WASTEWATER OPERATORS ASSOCIATION

Notes to Financial Statements

Year Ended July 31, 2017

7. DEFERRED CONTRIBUTIONS

The Association received \$300,000 in 2009 as a result of a Alberta Justice Court Order for an offense committed by two companies under the Environmental Protection and Enhancement Act. The proceeds of the award are designated to be used for updating the Association's training courses in the amount of \$125,000, establishing an operator scholarship fund in the amount of \$125,000 and establishing a training and seminar subsidy fund for small public facilities in the amount of \$50,000. All monies have been spent as authorized except for the funds restricted for scholarships.

The following is a summary of the grant funds and contributions received and the amounts disbursed.

	<u>2017</u>	<u>2016</u>
Provincial Court Fort McMurray Creative Sentencing Funding <i>Restricted for scholarships</i>		
Opening balance	\$ 107,750	\$ 111,500
Less authorized expenditures	<u>(3,500)</u>	<u>(3,750)</u>
	<u>104,250</u>	<u>107,750</u>

8. FUNDS RESTRICTED FOR SCHOLARSHIPS

	<u>2017</u>	<u>2016</u>
Externally restricted funds <i>(Note 7 - deferred contributions)</i>		
Opening balance	\$ 107,750	\$ 111,500
Scholarships paid	<u>(3,500)</u>	<u>(3,750)</u>
	<u>104,250</u>	<u>107,750</u>
Internally restricted net assets		
Opening balance	113,000	116,000
Scholarships paid	<u>(3,000)</u>	<u>(3,000)</u>
	<u>110,000</u>	<u>113,000</u>
	<u>\$ 214,250</u>	<u>\$ 220,750</u>

9. LEASE COMMITMENT

The Association leases premises under a long term lease that expires on April 1, 2019. The lease provides for annual rental payments which includes a proportionate share of operating cost as indicated below:

2018	\$ 39,219
2019	26,146

10. RELATED PARTY TRANSACTIONS

During the year, the Association paid \$21,000 (2016 - \$56,309) to a member who was on the board during the year, for the purchase of future rights to the use of his course materials (2016 - course instruction and related expenditures). These transactions are in the normal course of business and are measured at the exchange amount which is the consideration agreed upon by both parties.