

WATER FOR PEOPLE CANADA
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2009

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AUDITORS' REPORT

To the Members of
Water For People Canada
Toronto, Ontario

We have audited the balance sheet of Water For People Canada as at December 31, 2009 and the statements of revenue and expenses and surplus for the year then ended. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the association derives revenue from donations the completeness of which is not susceptible of satisfactory audit verification. Accordingly our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenses, assets and surplus.

In our opinion, except for the effects of the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the association as at December 31, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Markham, Ontario
April 12, 2010

Applebaum, Commisso LLP
Licensed Public Accountants

WATER FOR PEOPLE - CANADA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2009

| | <i>General Fund</i> | <i>Restricted Asset Fund</i> | <i>Total 2009</i> | <i>Total 2008</i> |
|--|-------------------------|----------------------------------|-----------------------|-----------------------|
| ASSETS | | | | |
| Current | | | | |
| Cash | \$ 29,891 | \$ - | \$ 29,891 | \$ 45,205 |
| Prepaid expenses | - | - | - | 1,786 |
| Accounts receivable | 16,896 | 20,000 | 36,896 | - |
| Total Assets | \$ 46,787 | \$ 20,000 | \$ 66,787 | \$ 46,991 |
| LIABILITIES | | | | |
| Current | | | | |
| Accounts payable and accrued liabilities | \$ 11,023 | \$ - | \$ 11,023 | \$ 9,748 |
| Total liabilities | \$ 11,023 | \$ - | 11,023 | \$ 9,748 |
| FUND BALANCES (Exhibit - 3) | | | | |
| Externally restricted | - | 20,000 | 20,000 | 29 |
| Unrestricted | 35,764 | - | 35,764 | 37,214 |
| | 35,764 | 20,000 | 55,764 | 37,243 |
| | \$ 46,787 | \$ 20,000 | \$ 66,787 | \$ 46,991 |

_____ - Director

_____ - Director

WATER FOR PEOPLE - CANADA
 STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2009

| | General Fund | | Restricted Fund | | Total | |
|--|--------------|-----------|-----------------|-------------|------------|------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| REVENUE | | | | | | |
| Contributions, Grants and Sponsorships | \$ 332,766 | 151,301 | \$ 52,814 | 248,867 | \$ 385,580 | 400,168 |
| EXPENSES | | | | | | |
| Program Services: | | | | | | |
| Developing Countries | \$ 5,018 | 36,967 | \$ 240,619 | 281,403 | \$ 245,637 | 318,370 |
| Supporting Services: | | | | | | |
| Management and General | 87,997 | 59,403 | 29 | - | 88,026 | 59,403 |
| Fundraising | 33,396 | 27,118 | - | - | 33,396 | 27,118 |
| Total Support Services | 121,393 | 86,521 | 29 | - | 121,422 | 86,521 |
| Total Expenses | 126,411 | 123,488 | 240,648 | 281,403 | 367,059 | 404,891 |
| Excess (deficiency) of revenues over expenses | \$ 206,355 | \$ 27,813 | \$ (187,834) | \$ (32,536) | \$ 18,521 | \$ (4,723) |
| Fund balances - beginning of the year | 37,214 | 9,401 | 29 | 32,565 | 37,243 | 41,966 |
| Transfer of internally restricted contributions | (207,805) | - | 207,805 | - | - | - |
| Fund balances - end of year | 35,764 | 37,214 | 20,000 | 29 | 55,764 | 37,243 |

 - Director

 - Director

**WATER FOR PEOPLE - CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | Operating Activities | | | | Financing and Investing Activities | | | |
|--|----------------------|----------------------------|---------------|---------------|------------------------------------|----------------------------|---------------|---------------|
| | General Fund 2009 | Restricted Fund 2009 | Total 2009 | Total 2008 | General Fund 2009 | Restricted Fund 2009 | Total 2009 | Total 2008 |
| Sources of cash: | | | | | | | | |
| Contributions, grants and sponsorships | \$ 315,870 | 32,814 | \$ 348,684 | 400,168 | \$ - | - | \$ - | - |
| Interfund transfers | - | 207,805 | 207,805 | - | - | - | - | - |
| Uses of cash: | | | | | | | | |
| Interfund transfers | (207,805) | - | (207,805) | - | - | - | - | - |
| Management and general Fundraising | (84,936) | (29) | (84,965) | (56,054) | - | - | - | - |
| | (33,396) | - | (33,396) | (27,118) | - | - | - | - |
| Developing countries | (5,018) | (240,619) | (245,637) | (318,370) | - | - | - | - |
| Net decrease in cash | (15,285) | (29) # | (15,314) | (1,374) | - | - | - | - |
| Cash, beginning of year | 45,176 | 29 | 45,205 | 46,579 | - | - | - | - |
| Cash, end of year | \$ 29,891 | - # | \$ 29,891 | 45,205 | - | - | \$ - | - |

WATER FOR PEOPLE CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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 GAAP 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 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. 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.

3. FINANCIAL INSTRUMENTS

The not-for-profit's financial instruments consist of cash, accounts receivable 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 YEAR ENDED DECEMBER 31, 2009**

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 helps 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.

Two of the 13 members of the not-for-profit's board of directors also serves along with 27 other Directors 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 \$240,619 (2008-\$318,370) 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. RESTRICTED FUND ASSETS

The restricted fund assets are held in the restricted fund to be distributed to the 24 North Paragnas district in India for a water filtration project.