
WATERSTONE FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Directors
WaterStone Foundation
Toronto
Ontario

Report on the Financial Statements

We have audited the accompanying financial statements of WaterStone Foundation, which comprise the statement of financial position as at December 31, 2014 and the statements of operations, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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 WaterStone Foundation as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that the entity adopted the Canadian accounting standards for not-for-profit organizations on January 1, 2014 with a transition date of January 1, 2013. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at December 31, 2013 and January 1, 2013 and the statements operations, net assets and cash flows for the year ended December 31, 2013 and related disclosures. We were not engaged to report on the comparative information and as such it is unaudited.



NORTON McMULLEN LLP
Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada
June 23, 2015

WATERSTONE FOUNDATION
STATEMENT OF FINANCIAL POSITION

January 1,

As at December 31, 2014 2013 2013
(unaudited) (unaudited)

ASSETS

Current

Cash	\$ 96,888	\$ 5,101	\$ 8,835
Marketable securities (Note 3)	125	125	125
HST receivable	7,045	-	-
	\$ 104,058	\$ 5,226	\$ 8,960
	\$ 104,058	\$ 5,226	\$ 8,960

LIABILITIES

Current

Accounts payable and accrued liabilities	\$ 24,816	\$ -	\$ -
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NET ASSETS

	79,242	5,226	8,960
	\$ 104,058	\$ 5,226	\$ 8,960

Approved by the Board:

_____ Director

_____ Director

WATERSTONE FOUNDATION

STATEMENT OF NET ASSETS

For the year ended December 31,

2014

2013

(unaudited)

BALANCE - Beginning	\$	5,226	\$	8,960
Excess (deficiency) of revenues over expenses		<u>74,016</u>		<u>(3,734)</u>
BALANCE - Ending	\$	<u>79,242</u>	\$	<u>5,226</u>

See accompanying notes

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WATERSTONE FOUNDATION

STATEMENT OF OPERATIONS

For the year ended December 31,

2014

2013

(unaudited)

REVENUES

Donations

\$ 164,900 \$ 144

EXPENSES

Financial assistance - treatment programs

\$ 32,762 \$ -

Administration

28,500 -

Legal and accounting

23,587 3,798

Advertising and promotion

3,148 -

Office and general

2,854 -

Interest and bank charges

33 80

\$ 90,884 \$ 3,878

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES

\$ 74,016 \$ (3,734)

See accompanying notes

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WATERSTONE FOUNDATION

STATEMENT OF CASH FLOWS

For the year ended December 31,

2014

2013

(unaudited)

CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):

OPERATING ACTIVITIES

Excess (deficiency) of revenues over expenses	\$ 74,016	\$ (3,734)
Net change in non-cash working capital balances:		
HST receivable	(7,045)	-
Accounts payable and accrued liabilities	24,816	-
	<u>\$ 91,787</u>	<u>\$ (3,734)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 91,787	\$ (3,734)
CASH AND CASH EQUIVALENTS - Beginning	<u>5,101</u>	<u>8,835</u>
CASH AND CASH EQUIVALENTS - Ending	<u>\$ 96,888</u>	<u>\$ 5,101</u>

See accompanying notes

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WATERSTONE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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NATURE OF OPERATIONS

The purpose of WaterStone Foundation (the “Foundation”) is to provide access to need-based financial assistance to individuals with an eating disorder diagnosis who are seeking treatment. The Foundation also endeavours to finance ground-breaking eating disorder research and to train mental health professionals by partnering with leading educational and private institutions.

The Foundation received approval for continuance under the Canada Not-for-profit Corporations Act (NFP Act) on February 6, 2015.

During the year, the Foundation changed its name to WaterStone Foundation.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) **Cash and Cash Equivalents**

Cash and cash equivalents includes cash in bank.

b) **Investments**

Investments in marketable securities are recorded at fair value.

c) **Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from the estimates used.

d) **Revenue Recognition**

Donations are recognized when the funds are received.

e) **Contributed Services**

Due to the difficulty in determining their fair market value, contributed services are not recognized in the financial statements.

WATERSTONE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

f) **Financial Instruments**

Measurement of Financial Instruments

The Foundation initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Foundation subsequently measures all its financial assets and financial liabilities at 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 net income.

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

Other than marketable securities, the Foundation has no financial assets measured at fair value and has not elected to carry any financial asset or liability at fair value.

Impairment

Financial assets measured at amortized cost are tested for impairment when events or circumstances indicate possible impairment. Write-downs, if any, are recognized in net income and may be subsequently reversed to the extent that the net effect after the reversal is the same as if there had been no write-down. There are no impairment indicators in the current year.

2. **CHANGE IN BASIS OF ACCOUNTING**

The Foundation has elected to adopt the Canadian accounting standards for not-for-profit organizations as outlined in Part III of the *CPA Canada Handbook*, hereafter referred to as "ASNPO." These financial statements are the first financial statements for which the Foundation has applied ASNPO.

The financial statements for the year ended December 31, 2014 were prepared in accordance with ASNPO, including the provisions set out in Section 1501, which addresses matters related to first-time adoption of this basis of accounting.

The impact of adopting these standards was accounted for in net assets at the date of the transition, i.e. January 1, 2013.

WATERSTONE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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2. **CHANGE IN BASIS OF ACCOUNTING** - continued

	2014	2013
Impact on Opening Net Assets		
Balance – as originally stated	\$ 11,322	\$ 15,056
Change in fair value of quoted shares	<u>(6,096)</u>	<u>(6,096)</u>
Balance – restated	<u>\$ 5,226</u>	<u>\$ 8,960</u>

3. **MARKETABLE SECURITIES**

Marketable securities consist of the following:

	2014	2013
24,398 common shares of Mukuba Resources Limited	<u>\$ 125</u>	<u>\$ 125</u>

4. **FINANCIAL INSTRUMENTS**

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a summary of the Foundation's exposure to and concentrations of risk at December 31, 2014.

a) **Liquidity Risk**

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to this risk mainly with respect to its accounts payable and accrued liabilities. The Foundation manages this risk by managing its working capital and by generating sufficient cash flows from operations. There has been no change in the risk assessment from the prior period.

b) **Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Foundation is exposed mainly to price risk as follows:

i) **Price Risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to price risk through its investments in quoted shares. The exposure to this risk fluctuates as the Foundation's investments change from year to year.