
WATERSTONE FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2015

INDEX

- Page 1. Independent Auditors' Report**
- 2. Statement of Financial Position**
- 3. Statement of Net Assets**
- 4. Statement of Operations**
- 5. Statement of Cash Flows**
- 6-8. Notes to Financial Statements**

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, 2015 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 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 WaterStone Foundation as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



NORTON McMULLEN LLP
Chartered Professional Accountants, Licensed Public Accountants

Markham, Canada
April 14, 2016

WATERSTONE FOUNDATION
STATEMENT OF FINANCIAL POSITION

As at December 31,

2015

2014

ASSETS

Current

Cash	\$ 159,232	\$ 96,888
Marketable securities (Note 2)	125	125
HST receivable	<u>9,683</u>	<u>7,045</u>
	<u>\$ 169,040</u>	<u>\$ 104,058</u>

LIABILITIES

Current

Accounts payable and accrued liabilities	\$ 3,000	\$ 24,816
--	----------	-----------

NET ASSETS

	<u>166,040</u>	<u>79,242</u>
	<u>\$ 169,040</u>	<u>\$ 104,058</u>

Approved by the Board:

_____ Director

_____ Director

WATERSTONE FOUNDATION

STATEMENT OF NET ASSETS

For the year ended December 31,

2015

2014

BALANCE - Beginning	\$	79,242	\$	5,226
Excess of revenues over expenses		<u>86,798</u>		<u>74,016</u>
BALANCE - Ending	\$	<u>166,040</u>	\$	<u>79,242</u>

See accompanying notes

- 3 -

WATERSTONE FOUNDATION

STATEMENT OF OPERATIONS

For the year ended December 31,

2015

2014

REVENUES

Donations

\$ 200,619 \$ 164,900

EXPENSES

Administration

\$ 34,300 \$ 28,500

Financial assistance - treatment programs

32,137 32,762

Advertising and promotion

30,653 3,148

Legal and accounting

14,435 23,587

Office and general

2,000 2,854

Interest and bank charges

296 33

\$ 113,821 \$ 90,884

EXCESS OF REVENUES OVER EXPENSES

\$ 86,798 \$ 74,016

See accompanying notes

- 4 -

WATERSTONE FOUNDATION

STATEMENT OF CASH FLOWS

For the year ended December 31,

2015

2014

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

OPERATING ACTIVITIES

Excess of revenues over expenses	\$ 86,798	\$ 74,016
Net change in non-cash working capital balances:		
HST receivable	(2,638)	(7,045)
Accounts payable and accrued liabilities	(21,816)	24,816
	<u>\$ 62,344</u>	<u>\$ 91,787</u>

INCREASE IN CASH AND CASH EQUIVALENTS

\$ 62,344 \$ 91,787

CASH AND CASH EQUIVALENTS - Beginning

96,888 5,101

CASH AND CASH EQUIVALENTS - Ending

\$ 159,232 \$ 96,888

See accompanying notes

- 5 -

WATERSTONE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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.

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) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for private enterprises 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 revenue and expenses during the year. Actual results could differ from the estimates used.

b) Cash and Cash Equivalents

Cash and cash equivalents includes cash in bank.

c) Investments

Investments in marketable securities are recorded at fair value.

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, 2015

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. **MARKETABLE SECURITIES**

Marketable securities consist of the following:

	2015	2014
24,398 Common shares of Mukuba Resources Limited	<u>\$ 125</u>	<u>\$ 125</u>

WATERSTONE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

3. 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, 2015.

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.