
WATERSTONE FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Directors
WaterStone Foundation
TORONTO
Ontario

Opinion

We have audited the accompanying financial statements of WaterStone Foundation which comprise the statement of financial position as at December 31, 2020 and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at December 31, 2020 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



NORTON McMULLEN LLP

Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada

June 8, 2021

WATERSTONE FOUNDATION
STATEMENT OF FINANCIAL POSITION

As at December 31, 2020 2019

ASSETS

Current

Cash	\$ 157,740	\$ 128,656
Marketable securities (Note 2)	147	147
HST refundable	<u>1,867</u>	<u>1,499</u>
	<u>\$ 159,754</u>	<u>\$ 130,302</u>

LIABILITIES

Current

Accounts payable and accrued liabilities	\$ 22,110	\$ 4,250
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NET ASSETS

<u>137,644</u>	<u>126,052</u>
<u>\$ 159,754</u>	<u>\$ 130,302</u>

Approved by the Board:

_____ Director

_____ Director

WATERSTONE FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31,	2020	2019
BALANCE - Beginning	\$ 126,052	\$ 134,375
Excess (deficiency) of revenues over expenses	<u>11,592</u>	<u>(8,323)</u>
BALANCE - Ending	<u>\$ 137,644</u>	<u>\$ 126,052</u>

See accompanying notes

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WATERSTONE FOUNDATION

STATEMENT OF OPERATIONS

For the year ended December 31,

2020

2019

REVENUES

Donations	\$ 102,791	\$ 48,244
Pin sales	-	1,629
	<u>\$ 102,791</u>	<u>\$ 49,873</u>

EXPENSES

Financial assistance - treatment programs	\$ 46,404	\$ -
Fundraising	12,485	10,112
Program and strategy	9,991	3,898
Administration	9,991	3,868
Legal and accounting	7,699	8,674
Office and general	2,637	2,176
Workshops	1,861	13,145
Bank charges	131	-
Grants issued	-	15,000
Unrealized loss on marketable securities	-	1,323
	<u>\$ 91,199</u>	<u>\$ 58,196</u>

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES

\$ 11,592 \$ (8,323)

See accompanying notes

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WATERSTONE FOUNDATION

STATEMENT OF CASH FLOWS

For the year ended December 31,

2020

2019

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

OPERATING ACTIVITIES

Excess (deficiency) of revenues over expenses	\$ 11,592	\$ (8,323)
Items not affecting cash:		
Unrealized loss (gain) on marketable securities	-	1,323
Net change in non-cash working capital balances:		
HST refundable	(368)	3,055
Accounts payable and accrued liabilities	<u>17,860</u>	<u>1,250</u>
INCREASE (DECREASE) IN CASH	\$ 29,084	\$ (2,695)
CASH - Beginning	<u>128,656</u>	<u>131,351</u>
CASH - Ending	<u>\$ 157,740</u>	<u>\$ 128,656</u>

See accompanying notes

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WATERSTONE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NATURE OF OPERATIONS

The purpose of WaterStone Foundation (the "Foundation") is to finance ground-breaking eating disorder research and to train mental health professionals by partnering with leading educational and private institutions.

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 not-for-profit organizations 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.

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.

Ticket sales are recognized when the associated event has occurred and collection is reasonably assured.

Pin sales are recognized when the sales proceeds are collected at the time of sale.

e) Contributed Services

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

WATERSTONE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 the excess (deficiency) of revenues over expenses.

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 the excess (deficiency) of revenues over expenses 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:

	2020	2019
14,698 Common shares of FogChain Corp.	\$ <u>147</u>	\$ <u>147</u>

WATERSTONE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020:

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 assessment of liquidity risk from the prior year.

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 publicly traded shares. The exposure to this risk fluctuates as the Foundation's investments and the quoted price of the shares change from year to year.