

Financial statements of

**Engineers Without Borders  
(Canada)/Ingénieurs Sans  
Frontières (Canada)**

October 31, 2016

# **Engineers Without Borders (Canada)/ Ingénieurs Sans Frontières (Canada)**

October 31, 2016

## Table of contents

Independent Auditor's Report .....	1-2
Statement of financial position .....	3
Statement of operations .....	4
Statement of changes in fund balances .....	5
Statement of cash flows .....	6
Notes to the financial statements .....	7-12

## Independent Auditor's Report

To the Members of  
Engineers Without Borders (Canada)/  
Ingénieurs Sans Frontières (Canada)

We have audited the accompanying financial statements of Engineers Without Borders (Canada)/Ingénieurs Sans Frontières (Canada) (the "Organization"), which comprise the statement of financial position as at October 31, 2016, the statements of operations, changes in fund balances 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Basis for Qualified Opinion**

In common with many charitable organizations, the Organization derives revenue from chapter fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenue from this source 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 chapter fundraising revenue, excess of revenue over expenses, and cash flows from operations for the years ended October 31, 2016 and 2015, current assets as at October 31, 2016 and 2015, and the unrestricted fund balance as at November 1 and October 31 for both the 2015 and 2016 years. Our audit opinion on the financial statements for the year ended October 31, 2015 was modified accordingly, because of the possible effects of this scope limitation.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Organization as at October 31, 2016, 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.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
December 21, 2016

# Engineers Without Borders (Canada)/ Ingénieurs Sans Frontières (Canada)

Statement of financial position  
as at October 31, 2016

	2016	2015
	\$	\$
<b>Assets</b>		
Current assets		
Cash	2,230,916	1,669,109
Accounts and other receivable (Note 3)	402,530	347,405
Prepaid and other expenses	28,257	29,709
	<b>2,661,703</b>	2,046,223
Investments (Note 4)	207,801	127,445
Capital assets (Note 5)	198,056	-
Intangible assets (Note 6)	30,081	32,240
	<b>3,097,641</b>	2,205,908
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	297,511	138,769
Loan payable (Note 8)	-	112,180
Deferred lease inducements (Note 9)	157,168	3,807
Deferred revenue (Note 10)	1,460,356	930,853
	<b>1,915,035</b>	1,185,609
<b>Fund balances</b>		
Internally restricted (Note 2)	20,000	-
Invested in capital assets	198,056	-
Unrestricted	964,550	1,020,299
	<b>1,182,606</b>	1,020,299
	<b>3,097,641</b>	2,205,908

Approved by the Board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# Engineers Without Borders (Canada)/ Ingénieurs Sans Frontières (Canada)

Statement of operations  
year ended October 31, 2016

	2016	2015
	\$	\$
<b>Revenue</b>		
Government support	1,428,534	603,776
Individual donations	1,178,207	885,396
Foundation support	894,230	1,314,592
National conference	395,079	516,320
Corporate contributions	282,701	272,020
Venture generated revenue	684,468	673,377
Other income	57,985	20,648
Chapter fundraising		
Donations	57,584	191,922
Canadian University support	186,775	223,396
	<b>5,165,563</b>	<b>4,701,447</b>
<b>Expenses</b>		
National conference, leadership/chapter development	1,211,646	1,200,906
Ventures	2,421,585	1,857,201
Public education and awareness	451,817	459,415
Fundraising	498,042	415,962
Management and administration	420,166	346,063
	<b>5,003,256</b>	<b>4,279,547</b>
<b>Excess of revenue over expenses</b>	<b>162,307</b>	<b>421,900</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

# Engineers Without Borders (Canada)/ Ingénieurs Sans Frontières (Canada)

Statement of changes in fund balances  
year ended October 31, 2016

				2016	2015
	Unrestricted	Invested in capital assets	Internally restricted (Note 2)	Total	Total
	\$	\$	\$	\$	\$
<b>Fund balances, beginning of year</b>	<b>1,020,299</b>	-	-	<b>1,020,299</b>	598,399
Excess of revenue over expenses	164,392	(2,085)	-	162,307	421,900
Purchase of capital assets	(200,141)	200,141	-	-	-
Interfund transfer (Note 2)	(20,000)	-	20,000	-	-
<b>Fund balances, end of year</b>	<b>964,550</b>	<b>198,056</b>	<b>20,000</b>	<b>1,182,606</b>	1,020,299

The accompanying notes to the financial statements are an integral part of this financial statement.

# Engineers Without Borders (Canada)/ Ingénieurs Sans Frontières (Canada)

Statement of cash flows  
year ended October 31, 2016

	2016	2015
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses	162,307	421,900
Less: non-cash items		
Write-down of investments	-	33,500
Amortization of capital assets	2,085	-
Amortization of deferred lease inducements	(13,733)	(5,709)
	<b>150,659</b>	449,691
 Changes in non-cash operating items		
Accounts receivable	(55,125)	(195,490)
Prepaid and other expenses	1,452	21,558
Accounts payables and accrued liabilities	158,742	(57,535)
Deferred revenue	529,503	357,595
Intangible assets	2,159	1,896
	<b>787,390</b>	577,715
 <b>Investing activities</b>		
Purchase of capital assets	(200,141)	-
Investments	(80,356)	(19,278)
	<b>(280,497)</b>	(19,278)
 <b>Financing activities</b>		
Leasehold inducements	167,094	-
(Repayment of) Proceeds from loan	(112,180)	112,180
	<b>54,914</b>	112,180
 Net increase in cash	<b>561,807</b>	670,617
Cash, beginning of year	<b>1,669,109</b>	998,492
<b>Cash, end of year</b>	<b>2,230,916</b>	1,669,109

The accompanying notes to the financial statements are an integral part of this financial statement.



# Engineers Without Borders (Canada)/ Ingénieurs Sans Frontières (Canada)

Notes to the financial statements

October 31, 2016

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## 1. Description of operating activities

Engineers Without Borders (Canada)/Ingénieurs Sans Frontières (Canada) (the "Organization") commenced operations in 1999. Subsequently, the Organization was incorporated without share capital under the Canada Corporations Act on December 28, 2000. The Organization transitioned to the Canada Not-for-profit Corporations Act and obtained a Certificate of Continuance during its 2014 fiscal year.

The Organization was registered as a Charity on November 23, 2001 under the Income Tax Act. While registered, the Organization is exempt from income taxes, and may issue tax deductible receipts to donors.

The Organization was established to increase opportunity for those living in poverty in developing countries, particularly in Africa. This work involves creating and spreading innovative approaches to development, building capacity among local institutions, and supporting local leaders. It also involves working in Canada to engage engineers, effect policy change, and create opportunities for Canadians to connect and contribute to human development overseas.

These financial statements include the assets, liabilities, revenues and expenses of the Organization's 32 (2015 - 29) university-based and 8 (2015 - 8) city networks chapters across Canada. These chapters undertake fundraising activities in order to run local education and engagement programs, and to contribute to overseas programs.

## 2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPOs") and reflect the following significant accounting policies:

### *Revenue recognition*

The Organization follows the deferral method of accounting for contributions. Restricted contributions are 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.

### *Donations-in-kind*

The work of the Organization is dependent on the services of many volunteers. Because these services are not normally purchased by the Organization and because of the difficulty of determining their fair value, donated services are not recognized in these financial statements.

Other donations-in-kind are recognized in the financial statements if they are normally purchased and their fair value can be established. The amount recognized for 2016 is \$49,650 (2015 - 118,002) which relates to Aeroplan points (see below and Note 6).

Donated shares are immediately sold, and are recorded at the amount realized on sale.

### *Aeroplan points*

In accordance with an agreement, the Organization has the right to redeem Aeroplan points in return for airline flights. The points are recorded based on the estimated redemption value as an intangible asset and corresponding deferred revenue and are recognized as revenue and expenses as the points are used.

### *Investments*

Investments are recorded at cost and are reviewed for impairment on an annual basis.

# Engineers Without Borders (Canada)/ Ingénieurs Sans Frontières (Canada)

Notes to the financial statements

October 31, 2016

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## 2. Summary of significant accounting policies (continued)

### *Leasehold improvements*

Leasehold improvements are recorded at cost. Amortization is recorded on the straight-line basis over the term of the lease.

### *Deferred lease inducement*

Deferred lease inducements, consisting of tenant allowances, free rent and reimbursement of costs, are amortized on the straight-line basis over the term of the lease.

### *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provisions of the financial instrument. Subsequently, financial assets and financial liabilities are recorded at cost.

### *Foreign currency translation*

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the date of the Statement of financial position for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenue and expense items are translated at the rates of exchange prevailing on the transaction dates. Foreign exchange gains or losses are included in the determination of the excess of revenue over expenses for the year.

### *Estimates*

The preparation of the Organization's financial statements in conformity with ASNPOs requires management to make estimates and assumptions that affect the reported amounts 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 reporting period. Accordingly, actual results could differ from those estimates. Accounts requiring significant estimates and assumptions include intangibles, accrued liabilities and deferred revenue.

### *Allocation of common expenses*

Certain officers and employees perform functions that are specific to direct projects, management and administration, and fundraising and communication activities; as a result, the related payroll and benefits costs are reflected as an expense of those functions. Certain other employees perform a combination of management and administration and fundraising functions. In this case, the recorded cost is based on the actual time dedicated to the functional activity.

Other common expenses, such as rent and other administrative expenses, are allocated to each expense category based on the proportion of the salary for that category in relation to total salary. Such allocations are reviewed regularly by management.

### *Description of funds*

#### *Invested in capital assets fund*

The Invested in capital assets fund records the net book value of the Organization's capital assets.

#### *Internally restricted fund*

During the year, the Internally Restricted Fund was established by the Board of Directors to create a cash reserve for future needs.

# Engineers Without Borders (Canada)/ Ingénieurs Sans Frontières (Canada)

Notes to the financial statements

October 31, 2016

### 3. Accounts and other receivable

Accounts receivable includes \$20,000 (2015 - \$2,935) and a loan of \$90,612 (2015 - \$118,965) due from one of the non-Canadian investees (Note 4). The loan is non-interest bearing, unsecured, with no fixed maturity date; however, repayment is expected within the next year.

### 4. Investments

Investments include individual ownership interests of between 4.3% and 5.0% (2015 - 4.3% and 5.0%) in Canadian and non-Canadian entities. Investments also include convertible promissory notes that bear interest at a rate equal to the prime rate of a major Canadian financial institution, compounding annually and, upon maturity, the Organization has the option to (i) collect the full amount due, plus any accrued interest, or (ii) convert the notes to the most senior class of authorized shares. The number of shares will be calculated using a pre-determined formula as mutually agreed by the parties.

	2016	2015
	\$	\$
Balance, beginning of year	127,445	141,667
Additions	80,356	19,278
Write-down	-	(33,500)
<b>Balance, end of year</b>	<b>207,801</b>	<b>127,445</b>

The additions during the year consist of two convertible promissory notes of \$66,963 and \$13,393 maturing on May 19, 2019 and April 19, 2019, respectively (2015 - \$10,278 and \$9,000, maturing on October 30, 2018 and May 31, 2018, respectively). The notes bear interest at the prime rate of a major Canadian financial institution (2015 - interest at the prime rate of a major Canadian financial institution).

### 5. Capital assets

	2016		2015
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Leashold improvements	200,141	2,085	198,056
			-

### 6. Intangible assets

The balance of Aeroplan points consists of:

	2016	2015
	\$	\$
Balance, beginning of year	32,240	34,136
Additions	47,491	116,106
Redemptions	(49,650)	(118,002)
<b>Balance, end of year</b>	<b>30,081</b>	<b>32,240</b>

The year end balance is included in deferred revenue (Note 10).

# Engineers Without Borders (Canada)/ Ingénieurs Sans Frontières (Canada)

Notes to the financial statements

October 31, 2016

**7. Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities include \$nil (2015 - \$nil) with respect to government remittances.

**8. Loan payable**

During 2015, the Organization received a US \$100,000 loan from a Foundation to assist in its support of a specific venture located in Africa. The loan was subject to 2.5% simple interest and was repayable in one full lump sum amount of US \$102,500 on or before December 31, 2015. The loan was repaid on the due date.

**9. Deferred lease inducements**

	2016	2015
	\$	\$
Balance, beginning of year	3,807	9,516
Additions	167,094	-
Amortization	(13,733)	(5,709)
<b>Balance, end of year</b>	<b>157,168</b>	<b>3,807</b>

**10. Deferred revenue**

The balance at year-end is comprised of:

	2016	2015
	\$	\$
Aeroplan points (Note 6)	30,081	32,240
Foundations and others	1,430,274	898,613
<b>Total</b>	<b>1,460,355</b>	<b>930,853</b>

The continuity of the deferred revenue from Foundations and others is as follows:

	2016	2015
	\$	\$
Balance, beginning of the year	898,613	539,122
Add: restricted funding received	3,016,034	2,040,866
Less: revenue recognized during the year	2,484,373	1,681,375
<b>Balance, end of the year</b>	<b>1,430,274</b>	<b>898,613</b>

# Engineers Without Borders (Canada)/ Ingénieurs Sans Frontières (Canada)

Notes to the financial statements

October 31, 2016

## 10. Deferred revenue (continued)

The balance of the deferred revenue from Foundations and others at year end consists of the following:

	2016	2015
	\$	\$
Bill and Melinda Gates Foundation	782,535	44,304
Global Affairs Canada	459,513	457,465
Suncor Energy Inc.	146,559	97,667
Concordia University	41,667	-
The Small Foundation	-	243,717
Louis Viligione	-	50,000
WSP Canada Inc.	-	3,630
Agrium	-	1,830
	<b>1,430,274</b>	<b>898,613</b>

## 11. Lease commitments

The Organization is committed under operating leases up to September 2024 for the rental of premises. The annual payments (excluding operating costs) are as follows:

	\$
2017	99,049
2018	81,116
2019	85,982
2020	86,335
2021	90,227
Thereafter	271,654
	<b>714,363</b>

## 12. Guarantee

Indemnity has been provided to all directors and officers of the Organization for various items including, but not limited to, all costs to settle suits or actions due to their involvement with the Organization, subject to certain restrictions. The Organization has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The maximum amount of any potential future payments cannot be reasonably estimated.

# Engineers Without Borders (Canada)/ Ingénieurs Sans Frontières (Canada)

Notes to the financial statements

October 31, 2016

## 13. Allocation of common expenses

The Organization has allocated its common expenses as follows:

	2016					
	National conference, leadership/ chapter development	Ventures	Advocacy and communications	Fund- raising	Management and administration	Total
	\$	\$	\$	\$	\$	\$
Bank charges	2,064	5,160	1,548	2,580	2,065	13,417
Office expenses and travel	4,616	11,541	3,462	5,770	4,616	30,005
Professional development and human resources	730	1,826	548	913	730	4,747
Accounting and audit fees	3,812	9,532	2,860	4,766	3,813	24,783
Insurance	8,405	21,012	6,304	10,506	8,405	54,632
Rent and utilities	25,826	64,565	19,370	32,283	25,826	167,870
	<b>45,453</b>	<b>113,636</b>	<b>34,092</b>	<b>56,818</b>	<b>45,455</b>	<b>295,454</b>

  

	2015					
	National conference, leadership/ chapter development	Ventures	Advocacy and communications	Fund- raising	Management and administration	Total
	\$	\$	\$	\$	\$	\$
Bank charges	4,724	1,998	2,688	1,489	5,346	16,245
Office expenses and travel	28,234	11,942	16,062	8,890	31,957	97,085
Professional development and human resources	2,645	1,119	1,504	833	2,994	9,095
Accounting and audit fees	5,619	2,376	3,196	1,769	6,360	19,320
Insurance	17,369	7,346	9,881	5,469	19,659	59,724
Rent and utilities	52,576	22,237	29,911	16,555	59,508	180,787
	<b>111,167</b>	<b>47,018</b>	<b>63,242</b>	<b>35,005</b>	<b>125,824</b>	<b>382,256</b>

## 14. Credit facilities

The Organization has a credit facility with a chartered bank amounting to \$250,000 for operating cash flows purposes, should the need arise, of which \$nil has been drawn as at October 31, 2016 (2015 - \$Nil)