
Financial statements of
Engineers Without Borders (Canada)/
Ingénieurs Sans Frontières (Canada)

October 31, 2019

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Independent Auditor's Report

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

Qualified Opinion

We have audited the financial statements of Engineers Without Borders (Canada)/Ingénieurs Sans Frontières (Canada) (the "Organization"), which comprise the statement of financial position as at October 31, 2019, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at October 31, 2019, 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 Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from individual donations and chapter fundraising, the completeness of which is not susceptible to 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 recorded individual donations and chapter fundraising revenue, the deficiency of revenues over expenses, and cash flows from operations for the years ended October 31, 2019 and 2018, current assets as at October 31, 2019 and 2018, and the unrestricted fund balance as at November 1 and October 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended October 31, 2018 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical 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 audit opinion.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 GAAS 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.

As part of an audit in accordance with Canadian GAAS, 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 Organization'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 Organization'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 Organization 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 10, 2020

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

Statement of financial position

As at October 31, 2019

| | Notes | 2019 \$ | 2018 \$ |
|------------------------------------------|-------|------------------|------------|
| Assets | | | |
| Current assets | | | |
| Cash | | 610,655 | 2,321,213 |
| Internally restricted cash | 2 | 220,000 | 220,000 |
| Convertible promissory notes | 5 | 144,562 | 144,562 |
| Accounts and other receivable | 3 | 403,473 | 251,969 |
| Prepaid and other expenses | | 70,012 | 60,364 |
| | | 1,448,702 | 2,998,108 |
| Investments | 4 | 283,263 | 283,263 |
| Long-term convertible promissory notes | 5 | 132,836 | 65,710 |
| Capital assets | 6 | 123,002 | 148,020 |
| Intangible assets | 7 | 88,296 | 95,940 |
| | | 2,076,099 | 3,591,041 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 8 | 524,045 | 327,279 |
| Deferred lease inducements | 9 | 99,961 | 120,293 |
| Deferred revenue | 10 | 639,850 | 1,992,337 |
| | | 1,263,856 | 2,439,909 |
| Fund balances | | | |
| Internally restricted | 2 | 220,000 | 220,000 |
| Invested in capital assets | | 123,002 | 148,020 |
| Unrestricted | | 469,241 | 783,112 |
| | | 812,243 | 1,151,132 |
| | | 2,076,099 | 3,591,041 |

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

Approved by the Board of Directors

_____, Director

_____, Director

**Engineers Without Borders (Canada)/
Ingénieurs Sans Frontières (Canada)**
Statement of operations
Year ended October 31, 2019

| | 2019 | 2018 |
|-----------------------------------------------------|------------------|-----------|
| | \$ | \$ |
| Revenue | | |
| Government support | 2,385,034 | 1,869,720 |
| Individual donations | 1,118,285 | 1,046,302 |
| Foundation support | 750,796 | 1,240,579 |
| National conference | 177,341 | 262,317 |
| Corporate contributions | 83,680 | 95,512 |
| Venture generated revenue | 575,586 | 1,040,440 |
| Other income | 42,234 | 3,440 |
| Chapter fundraising | | |
| Donations | — | 35,017 |
| Canadian University support | 103,826 | 127,329 |
| | 5,236,782 | 5,720,656 |
| Expenses | | |
| National conference, leadership/chapter development | 934,317 | 1,301,042 |
| Ventures | 2,633,486 | 2,593,253 |
| Public education and awareness | 564,420 | 683,528 |
| Fundraising | 695,049 | 887,182 |
| Management and administration | 748,399 | 481,852 |
| | 5,575,671 | 5,946,857 |
| Deficiency of revenue over expenses | (338,889) | (226,201) |

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

**Engineers Without Borders (Canada)/
Ingénieurs Sans Frontières (Canada)**
Statement of changes in fund balances
Year ended October 31, 2019

| | Unrestricted \$ | Invested in capital assets \$ | Internally restricted \$ | 2019 Total \$ | 2018 Total \$ |
|---------------------------------------------|--------------------|----------------------------------------|--------------------------------|---------------------|---------------------|
| | | | (Note 2) | | |
| Fund balances, beginning of year | 783,112 | 148,020 | 220,000 | 1,151,132 | 1,377,333 |
| Deficiency of revenue over expenses | (313,871) | (25,018) | — | (338,889) | (226,201) |
| Fund balances, end of year | 469,241 | 123,002 | 220,000 | 812,243 | 1,151,132 |

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

**Engineers Without Borders (Canada)/
Ingénieurs Sans Frontières (Canada)**
Statement of cash flows
Year ended October 31, 2019

| | 2019 \$ | 2018 \$ |
|----------------------------------------------|--------------------|------------|
| Operating activities | | |
| Deficiency of revenue over expenses | (338,889) | (226,201) |
| Less: non-cash items | | |
| Amortization of capital assets | 25,018 | 25,018 |
| Amortization of deferred lease inducements | (20,332) | (20,331) |
| Write-down of investments | — | 63,590 |
| | (334,203) | (157,924) |
| Changes in non-cash operating items | | |
| Accounts and other receivable | (151,504) | 970,061 |
| Prepaid and other expenses | (9,648) | 15,869 |
| Accounts payables and accrued liabilities | 196,766 | (65,788) |
| Deferred revenue | (1,352,487) | 1,147,355 |
| Intangible assets | 7,644 | (14,251) |
| | (1,643,432) | 1,895,322 |
| Investing activity | | |
| Convertible promissory notes and investments | (67,126) | 73,049 |
| Net (decrease) increase in cash | (1,710,558) | 1,968,371 |
| Cash, beginning of year | 2,321,213 | 352,842 |
| Cash, end of year | 610,655 | 2,321,213 |

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

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 on April 23, 2014.

The Organization became a registered Charity on November 23, 2001. Under the Income Tax Act, the Organization is classified as a registered charity, and, if certain requirements are met, is not subject to income taxes, and may issue charitable tax receipts to donors, for qualifying donations.

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 33 (28 in 2018) university-based and 2 (2 in 2018) 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

Basis of presentation

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

Revenue recognition

The Organization follows the deferral method of accounting for restricted 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 as revenue and expenses during 2019 is \$142,657 (\$56,000 in 2018) which relates to Aeroplan points redeemed during the year (Note 7).

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

2. Summary of significant accounting policies (continued)

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 as intangible assets based on the estimated redemption value and corresponding deferred revenue and are recognized as revenue and expenses as the points are redeemed.

Investments

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

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.

Financial assets measured at amortized cost are assessed at each reporting date for impairment. If such impairment exists, the financial asset is written down and the impairment loss is recognized in the statement of operations.

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 deficiency of revenue over expenses for the year.

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.

Common expenses, such as bank charges, offices expenses and travel, professional development and human resources, professional fees, insurance, rent and utilities, are allocated to each expense category (National conference, leadership/chapter development, Ventures, Public education and awareness, Fundraising, Management and administration) based on the proportion of the salary for that category in relation to total salary. Such allocations are reviewed regularly by management.

2. Summary of significant accounting policies (continued)

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 2016, the Internally Restricted Fund was established by the Board of Directors with an interfund transfer of \$220,000 to create a cash reserve for future needs.

Use of 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 investments, intangibles, accrued liabilities, deferred revenue and amortization of capital assets.

3. Accounts and other receivable

The balance accounts and other receivable consists of:

| | 2019 | 2018 |
|-----------------------------------|----------------|---------|
| | \$ | \$ |
| Harmonized Sales Tax | 248,912 | 143,884 |
| Advances to employees | 68,470 | 53,582 |
| Bill and Melinda Gates Foundation | 65,035 | — |
| Eventbrite | 8,351 | — |
| Memorial University | 7,500 | — |
| Other | 5,205 | 4,124 |
| Loan to Ventures | — | 41,498 |
| Concordia University | — | 3,300 |
| Procter and Gamble Inc. | — | 3,300 |
| ITAD Ltd. | — | 2,281 |
| | 403,473 | 251,969 |

The loan to ventures of nil (\$41,498 in 2018) is due from one of the Canadian investees (Note 4).

4. Investments

Investments include individual ownership interests of between 2.13% and 6.94% (2.19% and 8.02% in 2018) in two (two in 2018) non-Canadian entities and two (two in 2018) Canadian entities.

**Engineers Without Borders (Canada)/
Ingénieurs Sans Frontières (Canada)**
Notes to the financial statements
October 31, 2019

5. Convertible promissory notes

| | 2019 | 2018 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------|
| | \$ | \$ |
| U.S. dollar loan of 20,000 (U.S. dollar 20,000 in 2018), is due May 18, 2020. Interest is payable at the prime rate of a major Canadian financial institution during the term of the loan, and at the prime rate plus 3% thereafter (if unpaid at the maturity date) | 26,284 | 26,284 |
| U.S. dollar loan of 100,000 (50,000 in 2018), due on August 31, 2021 and October 30, 2024. Interest is payable at the prime rate of a major Canadian financial institution during the term of the loan, and at the prime rate plus 3% thereafter (if unpaid at the maturity date) | 132,836 | 65,710 |
| U.S. dollar of 50,000 (U.S. dollar 50,000 in 2018), due on September 28, 2020. Interest is payable at a rate of 6% per annum during the term, and at 9% thereafter (if unpaid at the maturity date) | 65,710 | 65,710 |
| U.S. dollar loan of 40,000 (40,000 in 2018), due on December 27, 2019. Interest is payable at a rate of 6% per annum during the term, and at 9% thereafter (if unpaid at the maturity date) | 52,568 | 52,568 |
| | 277,398 | 210,272 |
| Less: current portion | 144,562 | 144,562 |
| | 132,836 | 65,710 |

With respect to the U.S. dollar denominated loans, 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 of the borrower. The number of shares will be calculated using a pre-determined formula as mutually agreed by the parties.

6. Capital assets

| | Cost | Accumulated amortization | 2019 Net book value | 2018 Net book value |
|------------------------|----------------|---------------------------------|----------------------------|---------------------|
| | \$ | \$ | \$ | \$ |
| Leasehold improvements | 200,140 | 77,138 | 123,002 | 148,020 |

**Engineers Without Borders (Canada)/
Ingénieurs Sans Frontières (Canada)**
Notes to the financial statements
October 31, 2019

7. Intangible assets

The balance relates to Aeroplan points and consists of:

| | 2019 | 2018 |
|----------------------------|------------------|----------|
| | \$ | \$ |
| Balance, beginning of year | 95,940 | 81,689 |
| Additions | 135,013 | 70,251 |
| Redemptions (Note 2) | (142,657) | (56,000) |
| Balance, end of year | 88,296 | 95,940 |

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

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include nil (\$1,948 in 2018) with respect to government remittances payables.

9. Deferred lease inducements

| | 2019 | 2018 |
|----------------------------|-----------------|----------|
| | \$ | \$ |
| Balance, beginning of year | 120,293 | 140,624 |
| Amortization | (20,332) | (20,331) |
| Balance, end of year | 99,961 | 120,293 |

10. Deferred revenue

The balance at October 31 is comprised of:

| | 2019 | 2018 |
|--------------------------|----------------|-----------|
| | \$ | \$ |
| Aeroplan points (Note 7) | 88,296 | 95,940 |
| Foundations and others | 551,554 | 1,896,397 |
| | 639,850 | 1,992,337 |

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

| | 2019 | 2018 |
|------------------------------------------|------------------|-----------|
| | \$ | \$ |
| Balance, beginning of the year | 1,896,397 | 763,293 |
| Add: restricted funding received | 2,263,844 | 3,420,193 |
| Less: revenue recognized during the year | 3,608,687 | 2,287,089 |
| Balance, end of the year | 551,554 | 1,896,397 |

10. Deferred revenue (continued)

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

| | 2019 | 2018 |
|------------------------------------------------|----------------|-----------|
| | \$ | \$ |
| The Mastercard Foundation | 246,580 | — |
| Deutsche Gesellschaft für Internationale | 100,045 | 58,830 |
| McConnell Foundation | 61,300 | 41,668 |
| Suncor Champion | 38,330 | 38,330 |
| Suncor Energy Inc. | 37,242 | — |
| Lassonde School of Engineering | 19,308 | — |
| Nathan Associates London Ltd. | 18,180 | — |
| University of British Columbia | 16,037 | — |
| L'ONG Fondation pour le Développement au Sahel | 9,054 | — |
| Concordia University | 5,082 | — |
| Publish What You Pay Canada | 396 | — |
| Global Affairs Canada | — | 1,146,132 |
| Bill and Melinda Gates Foundation | — | 547,400 |
| Aspen Network of Development Entrepreneurs | — | 34,536 |
| Private Donors | — | 29,501 |
| | 551,554 | 1,896,396 |

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:

| | <u>\$</u> |
|------|----------------|
| 2020 | 86,335 |
| 2021 | 90,228 |
| 2022 | 90,581 |
| 2023 | 94,473 |
| 2024 | 86,601 |
| | <u>448,218</u> |

12. Guarantees

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.

13. Allocation of common expenses

The Organization has allocated its common expenses as follows:

| | National conference, leadership/ chapter development \$ | Ventures \$ | Public education and awareness \$ | Fund- raising \$ | Management and administration \$ | 2019 Total \$ |
|----------------------------------------------|------------------------------------------------------------------------|----------------|-----------------------------------------------|------------------------|-------------------------------------------|---------------------|
| Bank charges | 1,108 | 4,061 | 738 | 1,846 | 2,215 | 9,968 |
| Office expenses and travel | 8,825 | 32,358 | 5,883 | 14,708 | 17,650 | 79,424 |
| Professional development and human resources | 541 | 1,984 | 361 | 902 | 1,082 | 4,870 |
| Professional fees | 7,942 | 29,601 | 5,054 | 13,718 | 15,884 | 72,199 |
| Insurance | 3,306 | 12,121 | 2,204 | 5,510 | 6,612 | 29,753 |
| Rent and utilities | 24,088 | 88,321 | 16,058 | 40,146 | 48,175 | 216,788 |
| | 45,810 | 168,446 | 30,298 | 76,830 | 91,618 | 413,002 |

| | National conference, leadership/ chapter development \$ | Ventures \$ | Public education and awareness \$ | Fund- raising \$ | Management and administration \$ | 2018 Total \$ |
|----------------------------------------------|------------------------------------------------------------------------|----------------|-----------------------------------------------|------------------------|-------------------------------------------|---------------------|
| Bank charges | 1,194 | 3,583 | 1,991 | 1,991 | 1,991 | 10,750 |
| Office expenses and travel | 11,975 | 35,925 | 19,959 | 19,959 | 19,959 | 107,777 |
| Professional development and human resources | 1,094 | 3,283 | 1,824 | 1,824 | 1,824 | 9,849 |
| Professional fees | 4,685 | 14,056 | 7,809 | 7,809 | 7,809 | 42,168 |
| Insurance | 2,828 | 8,484 | 4,713 | 4,713 | 4,713 | 25,451 |
| Rent and utilities | 25,031 | 75,092 | 41,718 | 41,718 | 41,718 | 225,277 |
| | 46,807 | 140,423 | 78,014 | 78,014 | 78,014 | 421,272 |

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, 2019 or 2018.

15. Risk management

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization minimizes its credit risk by only dealing with creditworthy counterparties and it does not have significant credit risk exposure to any single counterparty.

15. Risk management (continued)

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization invests in non-Canadian entities (Note 4) and holds convertible promissory notes denominated in U.S. dollars (Note 5) and is therefore directly exposed to currency risk as the value of the investments and convertible promissory notes denominated in other currencies will fluctuate due to changes in exchange rates.

16. Comparative figures

Certain figures for 2018 have been reclassified to conform to the presentation adopted in 2019, including the presentation of internally restricted cash on the statement of financial position.