

Financial statements of

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

October 31, 2015

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

October 31, 2015

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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, 2015, the statements of operations and changes in fund balance 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, 2015 and 2014, current assets as at October 31, 2015 and 2014, and fund balance as at November 1 and October 31 for both the 2014 and 2015 years. Our audit opinion on the financial statements for the year ended October 31, 2014 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, 2015, 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 17, 2015

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

Statement of financial position
as at October 31, 2015

	2015	2014
	\$	\$
Assets		
Current assets		
Cash	1,669,109	998,492
Accounts receivable	347,405	151,915
Prepaid and other expenses	29,709	51,267
	2,046,223	1,201,674
Investments (Note 3)	127,445	141,667
Intangible assets (Note 4)	32,240	34,136
	2,205,908	1,377,477
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	138,769	196,304
Loan (Note 6)	112,180	-
Deferred lease inducement (Note 7)	3,807	9,516
Deferred revenue (Note 8)	930,853	573,258
	1,185,609	779,078
Fund balance		
Unrestricted	1,020,299	598,399
	2,205,908	1,377,477

Approved by the Board

_____ Director

_____ Director

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

Statement of operations and changes in fund balance
year ended October 31, 2015

	2015	2014
	\$	\$
Revenue		
Government support	603,776	467,601
Individual donations	885,396	1,139,920
Foundation support	1,314,592	701,836
National conference	516,320	458,931
Corporate contributions	272,020	429,623
Venture generated revenue	673,377	712,137
Other income	20,648	47,494
Chapter fundraising		
Donations (Note 9)	191,922	231,885
Canadian University support	223,396	189,757
	4,701,447	4,379,184
Expenses		
National conference, leadership/chapter development	1,200,906	1,118,050
Ventures	1,857,201	2,103,124
Public education and awareness	459,415	286,351
Fundraising	415,962	374,843
Management and administration	346,063	296,217
	4,279,547	4,178,585
Excess of revenue over expenses	421,900	200,599
Fund balance, beginning of year	598,399	397,800
Fund balance, end of year	1,020,299	598,399

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, 2015

	2015	2014
	\$	\$
Operating activities		
Excess of revenue over expenses	421,900	200,599
Less: non-cash items		
Write-down of investments	33,500	40,000
Amortization of deferred lease inducement	(5,709)	(5,711)
	449,691	234,888
Changes in non-cash operating items		
Accounts receivable	(195,490)	(41,604)
Prepaid and other expenses	21,558	142,637
Accounts payables and accrued liabilities	(57,535)	(71,756)
Deferred revenue	357,595	55,877
Intangible assets	1,896	17,975
	577,715	338,017
Investing activity		
Investments	(19,278)	(10,000)
Financing activity		
Loan	112,180	-
Net increase in cash	670,617	328,017
Cash, beginning of year	998,492	670,475
Cash, end of year	1,669,109	998,492

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, 2015

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 fiscal 2014.

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 29 (2014 - 28) university-based and 8 (2014 - 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 2015 is \$118,002 (2014 - \$155,384) which relates to Aeroplan points (see below and Note 4).

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, 2015

2. Summary of significant accounting policies (continued)

Deferred lease inducement

Deferred lease inducement, consisting of tenant allowances and free rent, is 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.

3. Investments

Investments consist of individual ownership interests of between 4.3% and 5.0% (2014 - between 4.3% and 5.0%) in Canadian and non-Canadian entities, and are recorded as follows:

	2015	2014
	\$	\$
Balance, beginning of year	141,667	171,667
Additions	19,278	10,000
Write-down	(33,500)	(40,000)
Balance, end of year	127,445	141,667

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

Notes to the financial statements

October 31, 2015

3. Investments (continued)

The additions during the year consist of two convertible promissory notes of \$10,278 and \$9,000, maturing on October 30, 2018 and May 31, 2018, respectively. Both notes 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.

4. Intangible assets

The balance of Aeroplan points consists of:

	2015	2014
	\$	\$
Balance, beginning of year	34,136	52,111
Additions	116,106	137,409
Redemptions	(118,002)	(155,384)
Balance, end of year	32,240	34,136

The year end balance is included in deferred revenue (Note 8).

5. Accounts payable and accrued liabilities

There are no outstanding government remittances as at October 31, 2015 and 2014.

6. Loan

During the year, 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 is subject to 2.5% simple interest and is repayable in one full lump sum amount of US \$102,500 on or before December 31, 2015. The carrying value of the loan approximates its fair value due to its short-term maturity.

7. Deferred lease inducement

	2015	2014
	\$	\$
Balance, beginning of year	9,516	15,227
Amortization	(5,709)	(5,711)
Balance, end of year	3,807	9,516

8. Deferred revenue

The balance at year-end is comprised of:

	2015	2014
	\$	\$
Aeroplan points (Note 4)	32,240	34,136
Foundations	898,613	539,122
	930,853	573,258

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

Notes to the financial statements
October 31, 2015

8. Deferred revenue (continued)

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

	2015	2014
	\$	\$
Balance, beginning of year	539,122	465,271
Add: restricted funding received	2,040,866	481,934
Less: revenue recognized during the year	1,681,375	408,083
Balance, end of year	898,613	539,122

The balance of the deferred revenue from Foundations at year end is as follows:

	2015	2014
	\$	\$
Department of Foreign Affairs, Trade and Development	457,465	-
The Small Foundation	243,717	-
Suncor Energy Inc.	97,667	-
Louis Viligione	50,000	50,000
Bill and Melinda Gates Foundation	44,304	431,935
WSP Canada Inc.	3,630	-
Agrium	1,830	-
The J.W. McConnell Family Foundation	-	57,187
	898,613	539,122

9. Donations

Chapter donations are reported net of direct fundraising costs of \$450 (2014 - \$118,716). Fundraising costs include event expenses such as banquet and gala costs as well as the cost of materials sold.

10. Lease commitments

The Organization is committed under an operating lease expiring in June 2016 for the rental of premises in the amount of \$91,503, which includes minimum lease payments, common costs for the premises, and applicable taxes.

11. 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, 2015

12. Allocation of common expenses

The Organization has allocated its common expenses as follows:

						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
	111,167	47,018	63,242	35,005	125,824	382,256

						2014
	National conference, leadership/ chapter development	Ventures	Advocacy and communications	Fund- raising	Management and administration	Total
	\$	\$	\$	\$	\$	\$
Bank charges	8,028	9,081	3,128	4,158	5,149	29,544
Office expenses and travel	33,655	38,066	13,112	17,431	21,583	123,847
Professional development and human resources	2,398	2,712	934	1,242	1,538	8,824
Accounting and audit fees	7,471	8,450	2,911	3,869	4,791	27,492
Insurance	10,553	11,936	4,111	5,466	6,768	38,834
Rent and utilities	42,794	48,403	16,672	22,165	27,445	157,479
	104,899	118,648	40,868	54,331	67,274	386,020

13. Credit facilities

In the previous year, the Organization arranged credit facilities amounting to \$250,000 for operating cash flows purposes, should the need arise, of which \$Nil has been drawn as at October 31, 2015 and 2014.

14. Contingency

An audit was conducted for the period from April 1, 2013 to March 31, 2015, in accordance with the funding agreement with the Department of Foreign Affairs, Trade and Development ("DFATD"). The draft audit report includes a number of proposed adjustments. Management is providing additional information to the auditor and once the audit report is finalized, will discuss the findings with DFATD.

No amount has been included in these financial statements with respect to the above-mentioned matter, as an estimate cannot be reasonably made. Any resulting loss will be recorded in the year of the ultimate settlement.