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

October 31, 2017

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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, 2017, 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, 2017 and 2016, current assets as at October 31, 2017 and 2016, and the unrestricted fund balance as at November 1 and October 31 for both the 2016 and 2017 years. Our audit opinion on the financial statements for the year ended October 31, 2016 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, 2017, 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  
January 17, 2018

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

**Statement of financial position**

As at October 31, 2017

	Notes	2017	2016
		\$	\$
			(Note 15)
<b>Assets</b>			
Current assets			
Cash		572,842	2,230,916
Convertible promissory notes	5	63,534	19,278
Accounts and other receivable	3	1,222,030	311,918
Prepaid and other expenses		76,233	28,257
		<b>1,934,639</b>	2,590,369
Investments	4	108,167	108,167
Long-term convertible promissory notes	5	458,473	170,968
Capital assets	6	173,038	198,056
Intangible assets	7	81,689	30,081
		<b>2,756,006</b>	3,097,641
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	8	393,067	297,511
Deferred lease inducements	9	140,624	157,168
Deferred revenue	10	844,982	1,460,356
		<b>1,378,673</b>	1,915,035
<b>Fund balances</b>			
Internally restricted	2	220,000	20,000
Invested in capital assets		173,038	198,056
Unrestricted		984,295	964,550
		<b>1,377,333</b>	1,182,606
		<b>2,756,006</b>	3,097,641

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

Approved by the Board

\_\_\_\_\_, Director

\_\_\_\_\_, Director

**Engineers Without Borders (Canada)/****Ingénieurs Sans Frontières (Canada)****Statement of operations**

Year ended October 31, 2017

	2017	2016
	\$	\$
<b>Revenue</b>		
Government support	<b>1,459,278</b>	1,428,534
Individual donations	<b>1,078,226</b>	1,178,207
Foundation support	<b>1,452,977</b>	894,230
National conference	<b>301,812</b>	395,079
Corporate contributions	<b>231,916</b>	282,701
Venture generated revenue	<b>655,316</b>	684,468
Other income	<b>77,883</b>	57,985
Chapter fundraising		
Donations	<b>204,673</b>	57,584
Canadian University support	<b>161,008</b>	186,775
	<b>5,623,089</b>	5,165,563
<b>Expenses</b>		
National conference, leadership/ chapter development	<b>1,598,620</b>	1,211,646
Ventures	<b>2,506,672</b>	2,421,585
Public education and awareness	<b>325,815</b>	451,817
Fundraising	<b>637,922</b>	498,042
Management and administration	<b>359,333</b>	420,166
	<b>5,428,362</b>	5,003,256
<b>Excess of revenue over expenses</b>	<b>194,727</b>	162,307

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, 2017

		2017			2016
		Unrestricted	Invested in capital assets	Internally restricted (Note 2)	Total
Notes		\$	\$	\$	\$
Fund balances,					
beginning of year		964,550	198,056	20,000	1,182,606
Excess of revenue					
over expenses		219,745	(25,018)	—	194,727
Interfund transfer	2	(200,000)	—	200,000	—
Fund balances,					
end of year		984,295	173,038	220,000	1,377,333

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, 2017

	2017	2016
	\$	\$
		(Note 15)
<b>Operating activities</b>		
Excess of revenue over expenses	194,727	162,307
Less: non-cash items		
Amortization of capital assets	25,018	2,085
Amortization of deferred lease inducements	(16,544)	(13,733)
	203,201	150,659
Changes in non-cash operating items		
Accounts and other receivable	(910,112)	35,487
Prepaid and other expenses	(47,976)	1,452
Accounts payables and accrued liabilities	95,556	158,742
Deferred revenue	(615,374)	529,503
Intangible assets	(51,608)	2,159
	(1,326,313)	878,002
<b>Investing activities</b>		
Purchase of capital assets	—	(200,141)
Convertible promissory notes	(331,761)	(170,968)
	(331,761)	(371,109)
<b>Financing activities</b>		
Leasehold inducements	—	167,094
Repayment of loan	—	(112,180)
	—	54,914
Net (decrease) increase in cash	(1,658,074)	561,807
Cash, beginning of year	2,230,916	1,669,109
<b>Cash, end of year</b>	<b>572,842</b>	<b>2,230,916</b>

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 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 (32 in 2016) university-based and 5 (8 in 2016) 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 2017 is \$94,400 (\$49,650 in 2016) which relates to Aeroplan points (see below and 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 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.

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

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

*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 2016, the Internally Restricted Fund was established by the Board of Directors to create a cash reserve for future needs. An amount of \$200,000 was approved for transfer during the current year.

**3. Accounts and other receivable**

Accounts and other receivable includes \$119,904 (\$20,000 in 2016) due from one of the non-Canadian investees (Note 4).

**4. Investments**

Investments include individual ownership interests of between 2.19% and 2.25% (4.3% and 5.0% in 2016) in two non-Canadian entities.

**5. Convertible promissory notes**

	<b>2017</b>	2016
	\$	\$
Current		
U.S. dollar loan of 38,000 (U.S. dollar 8,000 in 2016), due on May 31, 2018. Interest is payable at the prime rate of a major Canadian financial institution	<b>51,930</b>	10,278
Loan (in Canadian dollars) due on October 30, 2018. 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)	<b>11,604</b>	9,000
	<b>63,534</b>	19,278
Long-term		
U.S. dollar loan of 20,000 (U.S. dollar 10,000 in 2016), due on April 19, 2019. 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)	<b>25,786</b>	13,393
U.S. dollar loan of 50,000 (U.S. dollar 50,000 in 2016), due on May 19, 2019. 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)	<b>64,465</b>	66,963
U.S. dollar loan of 50,000 (nil in 2016), due on September 26, 2019. Interest is payable at a rate of 6% per annum during the term, and at 9% thereafter (if unpaid at the maturity date)	<b>64,465</b>	—
U.S. dollar loan of 150,000 (nil in 2016), 120,000 of which is due on December 23, 2019, and 30,000 on September 21, 2019. Interest is payable at a rate of 5% per annum during the term, and at 8% thereafter (if unpaid at the maturity date)	<b>185,460</b>	—
U.S. dollar loan of 40,000 (nil in 2016), 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)	<b>53,966</b>	—
Loan (in Canadian dollars), non-interest bearing, unsecured, with no fixed maturity date	<b>64,331</b>	90,612
	<b>458,473</b>	170,968
	<b>522,007</b>	190,246

**5. Convertible promissory notes (continued)**

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. The number of shares will be calculated using a pre-determined formula as mutually agreed by the parties.

**6. Capital assets**

	2017		2016
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Leashold improvements	200,141	27,103	173,038
			198,056

**7. Intangible assets**

The balance of Aeroplan points consists of:

	2017	2016
	\$	\$
Balance, beginning of year	30,081	32,240
Additions	146,008	47,491
Redemptions	(94,400)	(49,650)
Balance, end of year	81,689	30,081

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

**8. Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities include \$2,002 (Nil in 2016) with respect to government remittances.

**9. Deferred lease inducements**

	2017	2016
	\$	\$
Balance, beginning of year	157,168	3,807
Additions	—	167,094
Amortization	(16,544)	(13,733)
Balance, end of year	140,624	157,168

## 10. Deferred revenue

The balance at year-end is comprised of:

	<b>2017</b>	2016
	\$	\$
Aeroplan points (Note 7)	<b>81,689</b>	30,081
Foundations and others	<b>763,293</b>	1,430,275
	<b>844,982</b>	1,460,356

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

	<b>2017</b>	2016
	\$	\$
Balance, beginning of the year	<b>1,430,275</b>	898,613
Add: restricted funding received	<b>2,341,002</b>	3,016,035
Less: revenue recognized during the year	<b>3,007,984</b>	2,484,373
Balance, end of the year	<b>763,293</b>	1,430,275

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

	<b>2017</b>	2016
	\$	\$
Bill and Melinda Gates Foundation	<b>495,867</b>	782,535
Suncor Energy Inc.	<b>150,596</b>	146,559
McConnell Foundation	<b>100,163</b>	—
Global Affairs Canada	-	459,513
Suncor Champion	<b>16,667</b>	—
Concordia University	—	41,668
	<b>763,293</b>	1,430,275

## 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:

	\$
2018	81,116
2019	85,982
2020	86,335
2021	90,228
2022	90,581
Thereafter	<u>181,074</u>
	<u>615,316</u>

## 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.

## 13. Allocation of common expenses

The Organization has allocated its common expenses as follows:

	2017					
	National conference, leadership/ chapter development	Ventures	Public education and awareness	Fund- raising	Management and administration	Total
	\$	\$	\$	\$	\$	\$
Bank charges	2,838	6,386	2,129	4,257	3,548	19,158
Office expenses and travel	1,490	3,353	1,118	2,236	1,863	10,060
Professional development and human resources	579	1,303	434	869	724	3,909
Accounting and audit fees	4,065	9,145	3,048	6,097	5,081	27,436
Insurance	9,734	21,902	7,301	14,601	12,168	65,706
Rent and utilities	33,420	75,194	25,065	50,129	41,775	225,583
	<u>52,126</u>	<u>117,283</u>	<u>39,095</u>	<u>78,189</u>	<u>65,159</u>	<u>351,852</u>

**13. Allocation of common expenses (continued)**

	2016					
	National conference, leadership/ chapter development	Ventures	Public education and awareness	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
	<u>45,453</u>	<u>113,636</u>	<u>34,092</u>	<u>56,818</u>	<u>45,455</u>	<u>295,454</u>

**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, 2017 (\$Nil in 2016).

**15. Comparative amounts**

The following comparative amounts have been re-classified to conform to the current year's financial statement presentation:

	October 31, 2016	
	As amended	As previously stated
	\$	\$
Statement of financial position		
Convertible promissory notes	19,278	-
Accounts and other receivable	311,918	402,530
Investments	108,167	207,801
Long-term convertible promissory notes	170,968	-
	<u>610,331</u>	<u>610,331</u>

The Statement of cash flows has been amended accordingly.