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

October 31, 2018

| | |
|---|------|
| 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..... | 7-14 |

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, 2018, 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, 2018 and 2017, current assets as at October 31, 2018 and 2017, and the unrestricted fund balance as at November 1 and October 31 for both the 2017 and 2018 years. Our audit opinion on the financial statements for the year ended October 31, 2017 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, 2018, 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
February 14, 2019

**Engineers Without Borders (Canada)/
Ingénieurs Sans Frontières (Canada)**
Statement of financial position
As at October 31, 2018

| | Notes | 2018 | 2017 |
|--|-------|------------------|-----------|
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash | | 2,541,213 | 572,842 |
| Convertible promissory notes | 5 | 144,562 | 63,534 |
| Accounts and other receivable | 3 | 251,969 | 1,222,030 |
| Prepaid and other expenses | | 60,364 | 76,233 |
| | | 2,998,108 | 1,934,639 |
| Investments | | | |
| Long-term convertible promissory notes | 4 | 283,263 | 108,167 |
| Capital assets | 5 | 65,710 | 458,473 |
| Intangible assets | 6 | 148,020 | 173,038 |
| | 7 | 95,940 | 81,689 |
| | | 3,591,041 | 2,756,006 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 8 | 327,279 | 393,067 |
| Deferred lease inducements | 9 | 120,293 | 140,624 |
| Deferred revenue | 10 | 1,992,337 | 844,982 |
| | | 2,439,909 | 1,378,673 |
| Fund balances | | | |
| Internally restricted | 2 | 220,000 | 220,000 |
| Invested in capital assets | | 148,020 | 173,038 |
| Unrestricted | | 783,112 | 984,295 |
| | | 1,151,132 | 1,377,333 |
| | | 3,591,041 | 2,756,006 |

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, 2018

| | 2018 | 2017 |
|---|------------------|-----------|
| | \$ | \$ |
| Revenue | | |
| Government support | 1,869,720 | 1,459,278 |
| Individual donations | 1,046,302 | 1,078,226 |
| Foundation support | 1,240,579 | 1,452,977 |
| National conference | 262,317 | 301,812 |
| Corporate contributions | 95,512 | 231,916 |
| Venture generated revenue | 1,040,440 | 655,316 |
| Other income | 3,440 | 77,883 |
| Chapter fundraising | | |
| Donations | 35,017 | 204,673 |
| Canadian University support | 127,329 | 161,008 |
| | 5,720,656 | 5,623,089 |
| Expenses | | |
| National conference, leadership/ chapter development | 1,301,042 | 1,598,620 |
| Ventures | 2,593,253 | 2,506,672 |
| Public education and awareness | 683,528 | 325,815 |
| Fundraising | 887,182 | 637,922 |
| Management and administration | 481,852 | 359,333 |
| | 5,946,857 | 5,428,362 |
| (Deficiency) excess of revenue over expenses | (226,201) | 194,727 |

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, 2018

| | 2018 | | | 2017 |
|--|---------------------|-----------------------------------|---------------------------------------|------------------|
| | Unrestricted | Invested in capital assets | Internally restricted (Note 2) | Total |
| | \$ | \$ | \$ | \$ |
| Fund balances, beginning of year | 984,295 | 173,038 | 220,000 | 1,377,333 |
| (Deficiency) excess of revenue over expenses | (201,183) | (25,018) | — | (226,201) |
| Fund balances, end of year | 783,112 | 148,020 | 220,000 | 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, 2018

| | 2018 | 2017 |
|--|------------------|-------------|
| | \$ | \$ |
| Operating activities | | |
| (Deficiency) excess of revenue over expenses | (226,201) | 194,727 |
| Less: non-cash items | | |
| Amortization of capital assets | 25,018 | 25,018 |
| Amortization of deferred lease inducements | (20,331) | (16,544) |
| Write-down of investments | 63,590 | — |
| | (157,924) | 203,201 |
| Changes in non-cash operating items | | |
| Accounts and other receivable | 970,061 | (910,112) |
| Prepaid and other expenses | 15,869 | (47,976) |
| Accounts payables and accrued liabilities | (65,788) | 95,556 |
| Deferred revenue | 1,147,355 | (615,374) |
| Intangible assets | (14,251) | (51,608) |
| | 1,895,322 | (1,326,313) |
| Investing activity | | |
| Convertible promissory notes and investments | 73,049 | (331,761) |
| Net increase (decrease) in cash | 1,968,371 | (1,658,074) |
| Cash, beginning of year | 572,842 | 2,230,916 |
| Cash, end of year | 2,541,213 | 572,842 |

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 28 (32 in 2017) university-based and 2 (5 in 2017) 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 2018 is \$56,000 (\$94,400 in 2017) 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 \$Nil (\$200,000 in 2017) was transferred during the year.

3. Accounts and other receivable

Accounts and other receivable includes \$41,498 (\$119,904 in 2017) due from one of the Canadian investees (Note 4).

4. Investments

Investments include individual ownership interests of between 2.19% and 8.02% (2.19% and 2.25% in 2017) in two (two in 2017) non-Canadian entities and two (none in 2017) Canadian entity.

**Engineers Without Borders (Canada)/
Ingénieurs Sans Frontières (Canada)**
Notes to the financial statements
October 31, 2018

5. Convertible promissory notes

| | 2018 | 2017 |
|--|----------------|---------|
| | \$ | \$ |
| U.S. dollar loan of 38,000 (U.S. dollar 38,000 in 2017), due on May 31, 2018. Interest is payable at the prime rate of a major Canadian financial institution | — | 51,930 |
| Loan (in Canadian dollars) due on October 30, 2018. Interest is payable at 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). On October 31, 2018, this loan was converted into shares of the borrower and hence is presented as part of investments on the Statement of financial position | — | 11,604 |
| U.S. dollar loan of 20,000 (U.S. dollar 20,000 in 2017), 10,000 of which is due on April 19, 2019, and 10,000 on 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 | 25,786 |
| U.S. dollar loan of 50,000 (U.S. dollar 50,000 in 2017), 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) | 65,710 | 64,465 |
| U.S. dollar loan of 50,000 (U.S. dollar loan of 50,000 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) | 65,710 | 64,465 |
| U.S. dollar loan of 150,000 (150,000 in 2017), 120,000 of which is due on December 23, 2019 and 30,000 as September 21, 2019. Interest is payable at a rate of 5% per annum during the term, and at 8% thereafter (if paid at the maturity date). During the year, this loan was converted into shares of the borrower and hence it is presented as part of investments on the Statement of financial position | — | 185,460 |
| Carried forward | 157,704 | 403,710 |

**Engineers Without Borders (Canada)/
Ingénieurs Sans Frontières (Canada)**
Notes to the financial statements
October 31, 2018

5. Convertible promissory notes (continued)

| | 2018 | 2017 |
|---|----------------|---------|
| | \$ | \$ |
| Balance brought forward | 157,704 | 403,710 |
| U.S. dollar loan of 40,000 (40,000 in 2017), 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 | 53,966 |
| Loan (in Canadian dollars), non-interest bearing, unsecured, with no fixed maturity date | — | 64,331 |
| | 210,272 | 522,007 |
| Less: current portion | 144,562 | 63,534 |
| | 65,710 | 458,473 |

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

| | 2018 | | | 2017 |
|-----------------------|----------------|---------------------------------|-----------------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Leashold improvements | 200,140 | 52,120 | 148,020 | 173,038 |

7. Intangible assets

The balance relates to Aeroplan points and consists of:

| | 2018 | 2017 |
|----------------------------|-----------------|----------|
| | \$ | \$ |
| Balance, beginning of year | 81,689 | 30,081 |
| Additions | 70,251 | 146,008 |
| Redemptions (Note 2) | (56,000) | (94,400) |
| Balance, end of year | 95,940 | 81,689 |

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

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$1,948 (\$2,002 in 2017) with respect to government remittances.

9. Deferred lease inducements

| | 2018 | 2017 |
|----------------------------|-----------------|----------|
| | \$ | \$ |
| Balance, beginning of year | 140,624 | 157,168 |
| Amortization | (20,331) | (16,544) |
| Balance, end of year | 120,293 | 140,624 |

10. Deferred revenue

The balance at year-end is comprised of:

| | 2018 | 2017 |
|--------------------------|------------------|---------|
| | \$ | \$ |
| Aeroplan points (Note 7) | 95,940 | 81,689 |
| Foundations and others | 1,896,397 | 763,293 |
| | 1,992,337 | 844,982 |

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

| | 2018 | 2017 |
|--|------------------|-----------|
| | \$ | \$ |
| Balance, beginning of the year | 763,293 | 1,430,275 |
| Add: restricted funding received | 3,420,193 | 2,341,002 |
| Less: revenue recognized during the year | 2,287,089 | 3,007,984 |
| Balance, end of the year | 1,896,397 | 763,293 |

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

| | 2018 | 2017 |
|--|------------------|---------|
| | \$ | \$ |
| Global Affairs Canada | 1,146,132 | — |
| Bill and Melinda Gates Foundation | 547,400 | 495,867 |
| Suncor Energy Inc. | — | 150,596 |
| McConnell Foundation | 41,668 | 100,163 |
| Suncor Champion | 38,330 | 16,667 |
| Aspen Network of Development Entrepreneurs | 34,536 | — |
| Private Donors | 29,501 | — |
| Deutsche Gesellschaft für Internationale | 58,830 | — |
| | 1,896,397 | 763,293 |

**Engineers Without Borders (Canada)/
Ingénieurs Sans Frontières (Canada)**
Notes to the financial statements
October 31, 2018

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:

| | |
|------------|----------------|
| | \$ |
| 2019 | 85,982 |
| 2020 | 86,335 |
| 2021 | 90,228 |
| 2022 | 90,581 |
| 2023 | 94,477 |
| Thereafter | <u>86,597</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:

| | 2018 | | | | | |
|--|---|-----------------|---|--------------------------|--|----------------|
| | National conference, leadership/ chapter development | Ventures | Public education and awareness | Fund- raising | Management and administration | 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 |
| Accounting and audit 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 |
| | <u>46,807</u> | <u>140,423</u> | <u>78,014</u> | <u>78,014</u> | <u>78,014</u> | <u>421,272</u> |

**Engineers Without Borders (Canada)/
Ingénieurs Sans Frontières (Canada)**
Notes to the financial statements
October 31, 2018

13. Allocation of common expenses (continued)

| | 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> |

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, 2018 (\$Nil in 2017).