

Financial Statements

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

October 31, 2021

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Independent Auditor's Report

Grant Thornton LLP
Suite 200
15 Allstate Parkway
Markham, ON
L3R 5B4
T +1 416 366 0100
F +1 905 475 8906

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

Qualified opinion

We have audited the financial statements of Engineers Without Borders (Canada) (the "Organization"), which comprise the statement of financial position as at October 31, 2021, 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.

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 Engineers Without Borders (Canada) as at October 31, 2021, 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 Canadian university support, 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 Canadian university support revenue, the excess (deficiency) of revenues over expenses, and cash flows from operations for the years ended October 31, 2021 and 2020, current assets as at October 31, 2021 and 2020, and the unrestricted fund balances as at November 1 and October 31 for both the 2021 and 2020 years. The audit opinion on the financial statements for the year ended October 31, 2020 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 opinion.

Other matter

The financial statements for the year ended October 31, 2020 were audited by another auditor who expressed a qualified opinion on those financial statements on January 19, 2021.

Responsibilities of management and those charged with governance 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.

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 a 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 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 generally accepted auditing standards 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 generally accepted auditing standards, 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Markham, Canada
February 17, 2022

Chartered Professional Accountants
Licensed Public Accountants

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

October 31

2021

2020

Assets

Current

Cash	\$ 934,689	\$ 740,255
Internally restricted cash (Note 2)	220,000	220,000
Accounts and other receivables (Note 3)	121,072	532,506
Prepaid and other expenses	<u>4,231</u>	<u>15,975</u>
	1,279,992	1,508,736
Investments (Note 4)	201,630	263,550
Long-term convertible promissory notes (Note 5)	-	26,284
Capital assets (Note 6)	-	97,985
Intangible assets (Note 7)	<u>143,480</u>	<u>103,472</u>
	\$ 1,625,102	\$ 2,000,027

Liabilities

Current

Accounts payable and accrued liabilities (Note 8)	\$ 207,005	\$ 275,855
Deferred lease inducements (Note 9)	-	79,630
Deferred revenue (Note 10)	<u>324,122</u>	<u>537,431</u>
	531,127	892,916

Fund balances

Internally restricted (Note 2)	220,000	220,000
Invested in capital assets	-	97,985
Unrestricted	<u>873,975</u>	<u>789,126</u>
	1,093,975	1,107,111
	\$ 1,625,102	\$ 2,000,027

On behalf of the Board

_____ Director

_____ Director

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

Year ended October 31	2021	2020
Revenue		
Government support	\$ 316,208	\$ 1,842,965
Individual donations	1,024,272	1,027,972
Foundation support	566,929	561,024
National conference	-	33,043
Corporate contributions	7,562	50,952
Venture generated revenue	371,565	428,197
Other income	32,412	1,898
Canadian University support	<u>159,617</u>	<u>160,793</u>
	<u>2,478,565</u>	<u>4,106,844</u>
Expenses (Note 12)		
National conference, leadership/chapter development	741,509	989,915
Ventures	512,095	1,359,665
Public education and awareness	385,323	357,706
Fundraising	560,162	654,389
Management and administration	<u>292,612</u>	<u>450,301</u>
	<u>2,491,701</u>	<u>3,811,976</u>
(Deficiency) excess of revenue over expenses	<u>\$ (13,136)</u>	<u>\$ 294,868</u>

**Engineers Without Borders (Canada) / Ingénieurs Sans
Frontières (Canada)**
Statement of Changes in Fund Balances

Year ended October 31

	Unrestricted	Invested in capital assets	Internally restricted	Total 2021	Total 2020
Fund balance, beginning of year	\$ 789,126	\$ 97,985	\$ 220,000	\$ 1,107,111	\$ 812,243
(Deficiency) excess of revenue over expenses	<u>84,849</u>	<u>(97,985)</u>	<u>-</u>	<u>(13,136)</u>	<u>294,868</u>
Fund balance, end of year	<u>\$ 873,975</u>	<u>\$ -</u>	<u>\$ 220,000</u>	<u>\$ 1,093,975</u>	<u>\$ 1,107,111</u>

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

Statement of Cash Flows

Year ended October 31

2021

2020

Increase (decrease) in cash

Operating

(Deficiency) excess of revenue over expenses	\$ (13,136)	\$ 294,868
Items not affecting cash		
Amortization of capital assets	25,017	25,017
Amortization of deferred lease inducements	(20,331)	(20,331)
Write-down of deferred lease inducement	(59,299)	-
Loss on disposal of capital assets	72,968	-
Write-down of investments	61,920	-
Write-down of convertible promissory notes	-	251,114
	<u>67,139</u>	<u>550,668</u>

Change in non-cash working capital items

Accounts and other receivables	411,434	(129,033)
Prepaid and other expenses	11,744	54,037
Intangible assets	(40,008)	(15,176)
Accounts payables and accrued liabilities	(68,850)	(248,190)
Deferred revenue	(213,309)	(102,419)

168,150 109,887

Investing

Net change in investments	-	19,713
Repayment of convertible promissory notes	26,284	-
	<u>26,284</u>	<u>19,713</u>

Increase in cash

194,434 129,600

Cash

Beginning of year	<u>740,255</u>	<u>610,655</u>
End of year	<u>\$ 934,689</u>	<u>\$ 740,255</u>

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

Notes to Financial Statements

October 31, 2021

1. Basis of presentation

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 28 (2020 - 25) Canadian university-based and 5 (2020 - 2) professional 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 ("ASNPO") 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.

The Organization recognizes government subsidies towards current expenses in the statement of operations. When government subsidies relate to future expenses, the Organization defers the assistance and recognizes it in the statement of operations as the related expenses are incurred.

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 2021 is \$40,008 (2020 - \$42,180) 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.

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

Notes to Financial Statements

October 31, 2021

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 inducements

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 (National conference, leadership/chapter development, Ventures, and Public education and awareness), fundraising, and management and administration 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.

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

Notes to Financial Statements

October 31, 2021

2. Summary of significant accounting policies (continued)

Allocation of common expenses (continued)

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.

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 ASNPO 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 receivables

	<u>2021</u>	<u>2020</u>
Harmonized Sales Tax	\$ 49,048	20,798
Grants and other contributions receivable	70,194	59,684
Global Affairs Canada	-	450,000
Other	<u>1,830</u>	<u>2,024</u>
	<u>\$ 121,072</u>	<u>\$ 532,506</u>

4. Investments

Investments include individual ownership interests of between 2.07% and 7.74% (2020 - 2.13% and 6.94%) in two (2020 - two) non-Canadian entities and one (2020 - one) Canadian entity.

During the year, one of the investments held with a non-Canadian entity was assessed as partially impaired and a write-off of \$61,920 (2020 - \$Nil) was approved by the Organization.

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

Notes to Financial Statements

October 31, 2021

5. Convertible promissory notes

	<u>2021</u>	<u>2020</u>
U.S. dollar loan of 20,000 (U.S. dollar 20,000 in 2020), paid June 30, 2021. Interest payable at the rate of 6% during the term of the loan, and at the rate of 3% thereafter (if unpaid at the maturity date)	\$ -	\$ 26,284

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. The Organization elected option (i).

During the year, convertible promissory notes with an original cost of \$Nil (2020 - \$251,114) were assessed as impaired and written-off.

6. Capital assets

	<u>2021</u>	<u>2020</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Leasehold improvements	\$ -	\$ -	\$ -	\$ 97,985

During the year, the Organization terminated their operating lease for the rental of their premises prior to the end of the lease terms in 2024. This resulted in a loss on the disposal of leasehold improvements of \$72,968.

7. Intangible assets

The balance relates to Aeroplan points and consists of:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 103,472	\$ 88,296
Additions	40,008	57,356
Redemptions (Note 2)	-	(42,180)
Balance, end of year	<u>\$ 143,480</u>	<u>\$ 103,472</u>

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

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

Notes to Financial Statements

October 31, 2021

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$Nil with respect to government remittances payables as at October 31, 2021 and 2020.

9. Deferred lease inducements

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 79,630	\$ 99,961
Amortization	(20,331)	(20,331)
Write-down of deferred lease inducements	<u>(59,299)</u>	<u>-</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 79,630</u>

During the year, the Organization terminated their operating lease for the rental of their premises prior to the end of the lease term in 2024. The early termination resulted in a write-down of the remaining balance of deferred lease inducements of \$59,299. In addition, the Organization paid an early termination fee of \$87,553. The expense has been included in management and administration expenses in the statement of operations.

10. Deferred revenue

The balance at October 31 is comprised of:

	<u>2021</u>	<u>2020</u>
Aeroplan points (Note 7)	\$ 143,480	\$ 103,472
Foundations and others	<u>180,642</u>	<u>433,959</u>
	<u>\$ 324,122</u>	<u>\$ 537,431</u>

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

	<u>2021</u>	<u>2020</u>
Balance, beginning of the year	\$ 433,959	\$ 551,554
Add: restricted funding received	635,115	1,706,539
Less: revenue recognized during the year	<u>888,432</u>	<u>1,824,134</u>
Balance, end of the year	<u>\$ 180,642</u>	<u>\$ 433,959</u>

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

Notes to Financial Statements

October 31, 2021

10. Deferred revenue (continued)

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

	<u>2021</u>	<u>2020</u>
Bill and Melinda Gates Foundation	\$ 124,290	\$ 141,515
Fellowships	52,337	-
McConnell Foundation	4,015	102,250
Royal Bank of Canada Youth	-	100,000
Deutsche Gesellschaft für Internationale	-	41,575
Suncor Champion	-	38,330
Suncor Energy Inc.	-	10,289
	<u>\$ 180,642</u>	<u>\$ 433,959</u>

11. 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.

12. Allocation of common expenses

The Organization has allocated its payroll and common expenses as follows:

	<u>National conference, leadership/ chapter development</u>	<u>Ventures</u>	<u>Public education and awareness</u>	<u>Fundraising</u>	<u>Management and administration</u>	<u>2021 Total</u>
Office expenses and travel	\$ 112,515	\$ 5,152	\$ 58,524	\$ 72,125	\$ 60,791	\$ 309,107
Payroll	109,861	36,024	55,363	55,363	-	256,611
Insurance	60,036	2,749	31,228	38,485	32,437	164,935
Professional fees	5,403	247	2,811	3,464	2,919	14,844
Bank charges	2,173	100	1,130	1,393	1,174	5,970
Professional development and human resources	1,364	62	709	874	737	3,746
Rent and utilities	772	35	402	495	417	2,121
	<u>\$ 292,124</u>	<u>\$ 44,369</u>	<u>\$ 150,167</u>	<u>\$ 172,199</u>	<u>\$ 98,475</u>	<u>\$ 757,334</u>

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

Notes to Financial Statements

October 31, 2021

12. Allocation of common expenses (continued)

	National conference, leadership/ chapter development	Ventures	Public education and awareness	Fundraising	Management and administration	2020 Total
Office expenses and travel	\$ 15,142	\$ 45,427	\$ 10,095	\$ 25,237	\$ 30,285	\$ 126,186
Payroll	76,874	82,117	54,042	90,384	-	303,417
Insurance	1,526	4,577	1,017	2,543	3,051	12,714
Professional fees	5,594	16,781	3,729	9,323	11,187	46,614
Bank charges	942	2,827	628	1,571	1,885	7,853
Professional development and human resources	716	2,147	477	1,193	1,431	5,964
Rent and utilities	22,038	66,115	14,692	36,731	44,077	183,653
	<u>\$ 122,832</u>	<u>\$ 219,991</u>	<u>\$ 84,680</u>	<u>\$ 166,982</u>	<u>\$ 91,916</u>	<u>\$ 686,401</u>

13. 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, 2021 and 2020.

14. Risk management

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure as at October 31, 2021. Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant risks arising from these financial statements.

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.

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 US cash balances at year-end that converts to \$274,511 (2020 - \$314,725) in Canadian dollars and is therefore directly exposed to currency risk as the value of the investments and cash balance denominated in other currencies will fluctuate due to changes in exchange rates.

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

Notes to Financial Statements

October 31, 2021

15. Related party transactions

During the year, the Organization received donations totaling \$24,904 (2020 - \$21,700) from Directors and officers of the Organization. The transactions were measured at the exchange amounts, which were equivalent to the amounts of cash received at the dates of the transactions.

16. COVID-19

During the year ended October 31, 2021, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses are being forced to cease or limit operations for indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. As a result of the pandemic, the Organization was eligible to apply for and receive federal wage and rent subsidies in order to minimize the impact of the pandemic on its employees. Government subsidies of \$237,365 (2020 - \$106,841) have been recognized as revenue in the statement of operations.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods.