

Good Neighbors Canada
Financial Statements
Year ended December 31, 2021



Independent Auditor's Report

To the Directors of Good Neighbors Canada

Qualified Opinion

We have audited the financial statements of Good Neighbors Canada ("the Organization"), which comprise the Statement of Financial Position as at December 31, 2021, and the Statements of Changes in Net Assets, Operations 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 the Organization as at December 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 not-for-profit organizations, the Organization derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, net revenue, and cash flows from operations for the years ended December 31, 2021 and December 31, 2020, current assets and net assets for the years then ended. Our audit opinion on the financial statements was modified accordingly because of the possible effects of this limitation in scope.

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 qualified opinion.

Emphasis of Matter

We draw attention to Note 9 of the financial statements, which describes the effects of the COVID-19 pandemic on the Organization's operations. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Bringing Solutions Together

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 Organization'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 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 achieve 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.



London, Ontario
April 25, 2022

**Chartered Professional Accountants
Licensed Public Accountants**

Good Neighbors Canada

Statement of Financial Position as at December 31, 2021

	2021	2020
Assets		
Current		
Cash	\$ 129,415	\$ 98,398
Government assistance receivable	38,712	42,619
Government remittances receivable	7,651	2,094
Inventory	29,721	30,688
Prepaid expenses	5,144	3,106
	<u>210,643</u>	<u>176,905</u>
Capital assets (Note 2)	<u>1,760</u>	<u>3,760</u>
	<u>\$ 212,403</u>	<u>\$ 180,665</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 18,280	\$ 23,148
Government remittances payable	5,674	4,946
Deferred revenue - Community Foundations of Canada	-	6,600
	<u>23,954</u>	<u>34,694</u>
Net Assets		
Net assets	<u>188,449</u>	<u>145,971</u>
	<u>\$ 212,403</u>	<u>\$ 180,665</u>

Approved by the Directors:



Director

Good Neighbors Canada

Statement of Changes in Net Assets
Year ended December 31, 2021

	2021	2020
Net assets, beginning of year	\$ 145,971	\$ 60,486
Net revenue	42,478	85,485
Net assets, end of year	\$ 188,449	\$ 145,971

Good Neighbors Canada

Statement of Operations
Year ended December 31, 2021

	2021	%	2020	%
Revenue				
Gifts-in-kind (Note 4)	\$ 4,045,249	0.0	\$ 1,211	0.0
Grants	469,281	10.3	392,401	86.0
Ineligible donations	24,348	0.5	16,590	3.6
Eligible donations	23,132	0.5	41,816	9.2
Fundraising and product sales	12,074	0.3	4,121	0.9
Other	319	0.0	20	0.0
	<u>4,574,403</u>	100.0	<u>456,159</u>	100.0
Expenses				
Resource development	4,286,813	93.7	63,760	14.0
Administration	103,492	2.3	82,203	18.0
International support	100,459	2.2	102,879	22.6
Research and development	58,036	1.3	63,618	13.9
Sponsorship development and service	51,144	1.1	35,248	7.7
Public relations	44,421	1.0	25,310	5.5
Domestic support	28,778	0.6	46,782	10.3
Network and partnership	10,283	0.2	10,821	2.4
Purchases of goods for resale	5,462	0.1	3,345	0.7
Amortization	2,000	0.0	2,515	0.6
Miscellaneous	-	0.0	30	0.0
	<u>4,690,888</u>	102.5	<u>436,511</u>	95.7
Earnings (loss) from operations	(116,485)	(2.5)	19,648	4.3
Government assistance (Note 10)	<u>158,963</u>	3.5	<u>65,837</u>	14.4
Net revenue	<u>\$ 42,478</u>	0.9	<u>\$ 85,485</u>	18.7

Good Neighbors Canada

Statement of Cash Flows

Year ended December 31, 2021

	2021	2020
Cash provided by (used in):		
Operating Activities		
Net revenue	\$ 42,478	\$ 85,485
Add (deduct) non-cash items:		
Amortization	2,000	2,515
Gifts-in-kind revenue	(4,045,249)	(1,211)
Gifts-in-kind expense	4,045,249	1,211
Change in non-cash working capital items related to operations (Note 6)	(13,461)	(24,214)
	<u>31,017</u>	<u>63,786</u>
Investing Activities		
Computer equipment	<u>-</u>	<u>(427)</u>
Increase in cash	31,017	63,359
Cash, beginning of year	<u>98,398</u>	<u>35,039</u>
Cash, end of year	<u>\$ 129,415</u>	<u>\$ 98,398</u>

Good Neighbors Canada

Notes to Financial Statements
December 31, 2021

Nature of Organization

Good Neighbors Canada ("the Organization") is an international humanitarian development and non-governmental organization (NGO) involved in relief projects. The Organization's main activities of education, health and medical support, water and sanitation, emergency relief and income generation are mainly carried out in developing countries. The Organization's objectives are reached by working with both its own resources and in conjunction with local and foreign partners. It was incorporated by Letters Patent under the Corporations Act (Ontario) on March 14, 2017.

The Organization is a registered charity within the meaning of the Income Tax Act (Canada) and accordingly, is exempt from income taxes.

1. Significant Accounting Policies

The accompanying financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are summarized below.

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 covering specific operational periods are recognized as revenue on a prorated basis over the operational period. All other unrestricted contributions and fundraising are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Product sales are recognized in revenue when the sales occur.

Donations of goods are recognized when the fair value can be reasonably determined.

Allocation of Expenses

The Organization engages in providing international and Canadian program services that include food security, education and capacity building. Expenses are classified and reported as program delivery related activity, fundraising, research and development and administration based on the level of benefit received by each function.

For employees who perform a combination of activity, fundraising and administrative activities, their salaries, benefits and all other payroll related costs are allocated based on the percentage of time dedicated to each activity. Communications, education and marketing costs are allocated on the same basis of time and content applicable to each activity.

Premises costs are solely allocated to administration.

Shared expenses such as costs of insurance, professional services, amortization of fixed assets, equipment rentals, information technology, building maintenance and utilities are all recorded under administration.

Such allocations are reviewed annually, updated and applied on a prospective basis.

Inventory

Inventory is valued at the lower of cost and net realizable value. The cost of inventories includes all cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition and is determined on an average cost basis. Inventory consists of goods purchased from domestic and international partners for resale.

Good Neighbors Canada

Notes to Financial Statements

December 31, 2021

1. Significant Accounting Policies (continued)

Capital Assets

Capital assets are recorded at acquisition cost. Amortization is provided on the straight line method over the estimated useful lives of the assets at the following annual rates:

Computer equipment	3 years
Furniture and fixtures	5 years

One half of annual amortization is charged on assets acquired during the year. No amortization is taken in the year of disposal.

Financial Instruments

Measurement of financial instruments:

The Organization initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except the investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net revenue (expense).

Impairment:

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down and any subsequent reversal are recognized in net revenue (expense).

Transaction costs:

The Organization recognizes its transactions costs in net revenue (expense) in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Foreign Currency Transactions

The Organization uses the temporal method to translate its foreign currency transactions. Revenues and expenses, except for amortization translated at historical rates, are translated at the exchange rate in effect on that date. Realized exchange gains and losses are included in the Statement of Operations.

Cash and Cash Equivalents

Cash as disclosed on the Statement of Financial Position consists of cash on hand and balances with banks.

In-Kind Donations

Materials and services donated to the Organization that are normally purchased are recorded at their fair value as a donation and corresponding expense. During the year, these amounted to \$4,045,249 (2020 - \$1,211).

Also, contributed services provided by volunteers are not recognized in these financial statements due to the difficulty in determining their fair market value.

Good Neighbors Canada

Notes to Financial Statements
December 31, 2021

1. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Specific estimates include gift-in-kind valuations, useful lives of capital assets, amortization rates and methods and allocation of expenses. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in net revenue in the period in which they become known.

2. Capital Assets

	Cost	Accumulated Amortization	Net	
			2021	2020
Computer equipment	\$ 12,501	\$ 11,513	\$ 988	\$ 2,679
Furniture and fixtures	1,545	773	772	1,081
	<u>\$ 14,046</u>	<u>\$ 12,286</u>	<u>\$ 1,760</u>	<u>\$ 3,760</u>

3. Financial Instruments Risk Management

Transactions in financial instruments may result in financial risks being assumed by the Organization. The risks identified by the Organization are as follows:

Currency Risk

Currency 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 realizes approximately 10% (2020 - 75%) of its revenue in foreign currency (US dollars) as grants received from Good Neighbors International. Additionally, international support costs are incurred primarily in US dollars as remittances to international partners. At this time, the currency risk is considered significant as the majority of revenues are in foreign currency (US dollars).

Liquidity Risk

Liquidity risk is the risk the Organization will be unable to generate cash on a timely basis in order to pay obligations as they become due. The Organization is exposed to significant liquidity risk. Cash flows from operations can vary significantly from month to month and the Organization is reliant on continued funding from Good Neighbors International to continue to meet cash flow needs.

Other Risks

The Organization is not exposed to significant credit, interest rate or market risk.

There have been no significant changes in the nature, extent or concentration of the risk exposures from the prior year.

4. Gifts-in-kind

During the year, significant gifts-in-kind of hand sanitizer was received valued at \$4,040,749, other gifts-in-kind received during the year relate to women's underwear. These gifts were subsequently shipped to international partners. These gifts are not expected to be recurring in nature.

Good Neighbors Canada

Notes to Financial Statements
December 31, 2021

5. Economic Dependence

The Organization receives a substantial amount of its revenue in the form of grants from Good Neighbors International (10%, 2020 - 75%). Unusually high gifts-in-kind received in 2021 led to a decreased percentage of revenue from Good Neighbors International, however these gifts-in-kind are not expected to be a regular occurrence. As such, the Organization is economically dependent on the continued receipt of these grants.

6. Statement of Cash Flows

The change in non-cash working capital balances related to operations referred to in the statement is determined as follows:

	2021	2020
(Increase) decrease in current assets:		
Accounts receivable	\$ 3,907	\$ (42,619)
Inventory	967	(15,226)
Prepaid expenses	(2,038)	408
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(4,868)	18,099
Government remittances payable	(4,829)	8,524
Deferred revenue	(6,600)	6,600
Net change	<u>\$ (13,461)</u>	<u>\$ (24,214)</u>

7. Related Party Transactions

The following transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Organization's Executive Director sits on the Board of Directors and is paid an annual salary. The Executive Director is also reimbursed for certain travel costs associated with her duties in the normal course of operations.

8. Subsequent Events

Subsequent to year-end, the Organization has agreed to purchase a new office at 1585 Markham Road at a cost of \$900,000. This is being financed by a mortgage from Libro Credit Union of \$585,000 with a 4.65% interest rate. The mortgage is secured by a first collateral charge on the property, an assignment of rents and General Security Agreement.

9. COVID-19 Pandemic

In March 2020, the World Health Organization declared a global pandemic known as COVID-19. This pandemic has impacted the ability to provide products and services, such as fundraising events. The full impact to the Organization is not determinable at the date of these financial statements; however, it may be material and could include changes to operations and the financial position of the Organization.

Good Neighbors Canada

Notes to Financial Statements

December 31, 2021

10. Government Assistance

During the year the Organization applied and was approved for a federal subsidy of \$150,213 (2020 - \$63,481) as part of the Canada Emergency Wage Subsidy (CEWS) and Temporary Wage Subsidy (TWS) programs. The purpose of these programs are to enable businesses affected by COVID-19 to re-hire and retain employees.

During the year the Organization applied and was approved for a federal subsidy of \$8,750 (2020 - \$2,356) as part of the Canada Emergency Wage Rent (CERS) program. The purpose of the program is to provide rent support to businesses affected by COVID-19.