

**GOOD NEIGHBORS CANADA**

Financial Statements

Year ended December 31, 2020



## 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, 2020, and the Statements of Operations, Changes in Net Assets 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, 2020 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, 2020 and December 31, 2019, 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 8 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  
May 13, 2021

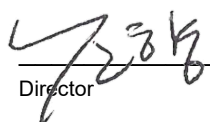
**Chartered Professional Accountants  
Licensed Public Accountants**

# GOOD NEIGHBORS CANADA

Statement of Financial Position as at December 31, 2020

	2020	2019
<b>ASSETS</b>		
CURRENT		
Cash	\$ 98,398	\$ 35,039
Government assistance receivable	42,619	-
Government remittances receivable	2,094	10,608
Inventory	30,688	15,462
Prepaid expenses	3,106	3,514
	<hr/>	<hr/>
	176,905	64,623
CAPITAL ASSETS (Note 2)	3,760	5,847
	<hr/>	<hr/>
	\$ 180,665	\$ 70,470
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	\$ 23,148	\$ 5,049
Government remittances payable	4,946	4,935
Deferred revenue - Community Foundations of Canada	6,600	-
	<hr/>	<hr/>
	34,694	9,984
<b>NET ASSETS</b>		
NET ASSETS	145,971	60,486
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	\$ 180,665	\$ 70,470

APPROVED BY THE DIRECTORS:

  
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Director

## GOOD NEIGHBORS CANADA

Statement of Changes in Net Assets  
Year ended December 31, 2020

	2020	2019
NET ASSETS, Beginning of year	\$ 60,486	\$ 60,641
Net revenue (expense)	85,485	(155)
NET ASSETS, End of year	\$ 145,971	\$ 60,486

# GOOD NEIGHBORS CANADA

Statement of Operations  
Year ended December 31, 2020

	2020	%	2019	%
<b>REVENUE</b>				
Grants	\$ 392,401	86.0	\$ 449,904	82.1
Eligible donations	41,816	9.2	61,931	11.3
Ineligible donations	16,590	3.6	9,852	1.8
Fundraising and product sales	4,121	0.9	3,105	0.6
Gifts-in-kind	1,211	0.0	22,999	0.0
Other	20	0.0	461	0.1
	<u>456,159</u>	<u>100.0</u>	<u>548,252</u>	<u>100.0</u>
<b>EXPENSES</b>				
International support	102,879	22.6	193,740	35.3
Administration	82,203	18.0	50,865	9.3
Resource development	63,760	14.0	108,724	19.8
Research and development	63,618	13.9	100,275	18.3
Domestic support	46,782	10.3	17,576	3.2
Sponsorship development and service	35,248	7.7	22,717	4.1
Public relations	25,310	5.5	26,394	4.8
Network and partnership	10,821	2.4	17,199	3.1
Purchases of goods for resale	3,345	0.7	1,735	0.3
Amortization	2,515	0.6	2,766	0.5
Miscellaneous	30	0.0	6,416	1.2
	<u>436,511</u>	<u>95.7</u>	<u>548,407</u>	<u>100.0</u>
EARNINGS (LOSS) FROM OPERATIONS	19,648	4.3	(155)	0.0
GOVERNMENT ASSISTANCE (Note 9)	<u>65,837</u>	<u>14.4</u>	<u>-</u>	<u>0.0</u>
NET REVENUE (EXPENSE)	<u>\$ 85,485</u>	<u>18.7</u>	<u>\$ (155)</u>	<u>0.0</u>

## GOOD NEIGHBORS CANADA

Statement of Cash Flows  
Year ended December 31, 2020

	2020	2019
<b>Cash provided by (used in):</b>		
<b>OPERATING ACTIVITIES</b>		
Net revenue (expense)	\$ 85,485	\$ (155)
Add (deduct) non-cash items:		
Amortization	2,515	2,766
Change in non-cash working capital items related to operations (Note 5)	(24,214)	(11,052)
	<u>63,786</u>	<u>(8,441)</u>
<b>INVESTING ACTIVITIES</b>		
Computer equipment	(427)	(4,646)
Furniture and fixtures	-	(1,545)
	<u>(427)</u>	<u>(6,191)</u>
INCREASE (DECREASE) IN CASH	63,359	(14,632)
Cash, beginning of year	<u>35,039</u>	<u>49,671</u>
CASH, END OF YEAR	\$ 98,398	\$ 35,039

# GOOD NEIGHBORS CANADA

Notes to Financial Statements  
December 31, 2020

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## 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 are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

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, 2020

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## 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 instrument 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 \$1,211 (2019 - \$18,845).

Also, contributed services from volunteers have been recorded at their fair value as a donation and corresponding expense. During the year, these amounted to \$- (2019 - \$4,154)

# GOOD NEIGHBORS CANADA

Notes to Financial Statements  
December 31, 2020

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## 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	
			2020	2019
Computer equipment	\$ 12,501	\$ 9,822	\$ 2,679	\$ 4,458
Furniture and fixtures	1,545	464	1,081	1,389
	<u>\$ 14,046</u>	<u>\$ 10,286</u>	<u>\$ 3,760</u>	<u>\$ 5,847</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 75% (2019 - 80%) 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 or concentration of the risk exposures from the prior year.

## 4. ECONOMIC DEPENDENCE

The Organization receives a substantial amount of its revenue in the form of grants from Good Neighbors International (75%, 2019 - 80%). As such, the Organization is economically dependent on the continued receipt of these grants.

# GOOD NEIGHBORS CANADA

Notes to Financial Statements  
December 31, 2020

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## 5. STATEMENT OF CASH FLOWS

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

	2020	2019
(INCREASE) DECREASE IN CURRENT ASSETS:		
Accounts receivable	\$ (42,619)	\$ 1,518
Inventory	(15,226)	(15,462)
Prepaid expenses	408	6,384
INCREASE (DECREASE) IN CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	18,099	2,639
Government remittances payable	8,524	(6,131)
Deferred revenue	6,600	-
Net change	<u>\$ (24,214)</u>	<u>\$ (11,052)</u>

## 6. 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.

## 7. COMMITMENT

The Organization rents office space for a period ending February 28, 2022 at an annual cost of \$15,840 plus HST.

## 8. 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.

## 9. GOVERNMENT ASSISTANCE

During the year the Organization applied and was approved for a federal subsidy of \$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 \$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.