# Good Neighbours Canada
## Financial Statements
*December 31, 2023*

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# Independent Auditor's Report

To the Directors of Good Neighbours Canada:

## Opinion

We have audited the financial statements of Good Neighbours Canada (the "Organization"), which comprise the statement of financial position as at December 31, 2023, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2023, 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 Opinion

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 statement for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on April 19, 2023.

## 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.

**MNP LLP**
700, 3100 Steeles Avenue E, Markham ON, L3R 8T3 1.877.251.2922 T: 416.596.1711 F: 416.596.7894

### 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.

MNP LLP

Markham, Ontario

Chartered Professional Accountants

April 11, 2024

Licensed Public Accountants

## Good Neighbours Canada
### Statement of Financial Position
*As at December 31, 2023*

| | **2023** | 2022 |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| Cash *(Note 12)* | **16,073** | 24,641 |
| Accounts receivable | **6,370** | 1,871 |
| Government remittances receivable | **7,707** | 16,661 |
| Inventory | **13,043** | 18,626 |
| Prepaid expenses and deposits | **18,432** | 7,163 |
| | **61,625** | 68,962 |
| **Capital assets** *(Note 3)* | **981,188** | 1,024,193 |
| | **1,042,813** | 1,093,155 |
| **Liabilities** | | |
| **Current** | | |
| Bank indebtedness *(Note 4), (Note 12)* | **20,941** | 21,218 |
| Accounts payable and accruals | **20,061** | 24,214 |
| Government remittances payable | **5,290** | 6,708 |
| Deferred revenue | **66,002** | 20,485 |
| Current portion of long-term debt *(Note 5)* | **19,445** | 18,569 |
| | **131,739** | 91,194 |
| **Long-term debt** *(Note 5)* | **534,961** | 554,401 |
| **Deferred contributions related to capital assets** *(Note 6)* | **317,354** | 331,152 |
| **Net Assets** | **58,759** | 116,408 |
| | **1,042,813** | 1,093,155 |

**Approved on behalf of the Directors**

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**Director**

*The accompanying notes are an integral part of these financial statements*

# Good Neighbours Canada
## Statement of Operations
*For the year ended December 31, 2023*

| | **2023** | 2022 |
|---|---|---|
| **Revenue** | | |
| Grant revenue *(Note 7), (Note 8)* | **482,226** | 551,286 |
| Donations | **122,479** | 74,441 |
| Gifts-in-kind *(Note 9)* | **99,195** | 580,792 |
| Other revenue *(Note 12)* | **13,923** | 5,962 |
| Amortization of deferred contributions *(Note 6)* | **13,798** | 13,798 |
| | **731,621** | 1,226,279 |
| **Expenses** | | |
| Program services *(Note 12)* | **658,169** | 1,091,397 |
| Operating costs *(Note 12)* | **90,526** | 110,781 |
| Fundraising *(Note 12)* | **40,575** | 96,142 |
| | **789,270** | 1,298,320 |
| **Deficiency of revenue over expenses** | **(57,649)** | (72,041) |

# Good Neighbours Canada
## Statement of Changes in Net Assets
*For the year ended December 31, 2023*

| | **2023** | 2022 |
|---|---|---|
| **Net assets beginning of year** | **116,408** | 188,449 |
| **Deficiency of revenue over expenses** | **(57,649)** | (72,041) |
| **Net assets, end of year** | **58,759** | 116,408 |

*The accompanying notes are an integral part of these financial statements*

# Good Neighbours Canada
## Statement of Cash Flows
*For the year ended December 31, 2023*

| | **2023** | *2022* |
|---|---|---|
| **Cash provided by (used for) the following activities** | | |
| **Operating** | | |
| Deficiency of revenue over expenses | **(57,649)** | (72,041) |
| Amortization | **43,005** | 22,321 |
| Gifts-in-kind revenue | **(99,195)** | (580,792) |
| Gifts-in-kind expense | **99,195** | 580,792 |
| Amortization of deferred contributions | **(13,798)** | (13,798) |
| | **(28,442)** | (63,518) |
| Changes in working capital accounts | | |
| Accounts receivable | **(4,499)** | 36,841 |
| Government remittances receivable | **8,954** | - |
| Inventory | **5,583** | 11,095 |
| Prepaid expenses and deposits | **(11,269)** | (2,019) |
| Accounts payable and accruals | **(4,153)** | 5,934 |
| Government remittances payable | **(1,418)** | (7,975) |
| Deferred revenue | **45,517** | 20,485 |
| | **10,273** | 843 |
| **Financing** | | |
| Advances (repayments) of long-term debt | **(18,564)** | 572,970 |
| Advances (repayments) of bank indebtedness *(Note 12)* | **(277)** | 21,218 |
| | **(18,841)** | 594,188 |
| **Investing** | | |
| Purchase of capital assets | **-** | (1,044,755) |
| Deferred contributions received | **-** | 344,950 |
| | **-** | (699,805) |
| **Decrease in cash resources** | **(8,568)** | (104,774) |
| **Cash resources, beginning of year** | **24,641** | 129,415 |
| **Cash resources (deficiency), end of year** | **16,073** | 24,641 |

*The accompanying notes are an integral part of these financial statements*

**1. Nature of the organization**

Good Neighbours Canada (the “Organization”) is a humanitarian development and non-governmental organization (NGO) involved in relief projects within Canada and internationally. 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.

**2. 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.

***Capital assets***

Capital assets are recorded at acquisition cost. One half of annual amortization is charged on assets acquired during the year. No amortization is taken in the year of disposal. Amortization is provided on the straight line method over the estimated useful lives of the assets at the following annual rates:

| | Method | Rate |
|---|---|---|
| Buildings | straight-line | 25 years |
| Computer equipment | straight-line | 3 years |
| Furniture and fixtures | straight-line | 5 years |

**2. Significant accounting policies** *(Continued from previous page)*

***Financial instruments***

The Organization recognizes financial instruments when the Organization becomes party to the contractual provisions of the financial instrument.

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 translation***

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 $99,195 (2022 - $580,792).

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

***Use of estimates***

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

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.

## 3. Capital assets

| | Cost | Accumulated amortization | 2023 Net book value | 2022 Net book value |
|---|---|---|---|---|
| Buildings | **1,040,401** | **62,379** | **978,022** | 1,019,638 |
| Computer equipment | **13,538** | **13,020** | **518** | 935 |
| Furniture and fixtures | **4,862** | **2,214** | **2,648** | 3,620 |
| | **1,058,801** | **77,613** | **981,188** | 1,024,193 |

## 4. Bank indebtedness

Bank indebtedness includes an operating loan amounting to $20,941 (2022 - $21,218) and bearing interest at prime plus 1.25% (2022 – 1.25%). The bank indebtedness is secured by second charge over property with a carrying value of $978,022 (2022 - $1,019,638), assignment of rents, and a general security agreement.

## 5. Long-term debt

| | 2023 | 2022 |
|---|---|---|
| Mortgage payable bearing interest at 4.65% with blended monthly instalments of $3,735, due April 1, 2027, secured by first charge over property with a carrying value of $978,022 (2022 - $1,019,638), assignment of rents, and a general security agreement. | **554,406** | 572,970 |
| | **554,406** | 572,970 |
| Less: Current portion | **19,445** | 18,569 |
| | **534,961** | 554,401 |

The terms of the Libro credit facilities require that certain financial and non-financial covenants be met by the Organization. Those include the maintenance of certain financial tests, ratios and certain restrictions and limitations, including a minimum Debt Service Ratio of not less than 1.10:1. All of the conditions were met as at December 31, 2023.

Principal repayments on long-term debt in each of the next four years are estimated as follows:

| | Principal |
|---|---|
| 2024 | 19,445 |
| 2025 | 20,369 |
| 2026 | 21,337 |
| 2027 | 493,255 |
| **Total** | 554,406 |

## 6. Deferred contributions

Deferred contributions represent grants to support the purchase of capital assets. Contributions are deferred and amortized into income over the useful life of the related assets. Contributions received in 2023 were $Nil (2022 - $344,950) for an office purchase, to be amortized over a 25 year period.

## 7. Economic dependence

The Organization receives 62% (2022 - 53%) of it's revenue in the form of grants from Good Neighbours International. As such, the Organization is economically dependent on the continued receipt of these grants.

## 8. Government assistance

Included in grant revenue is a federal subsidy of $Nil (2022 - $32,923) as part of the Canada Recovery Hiring Program (CRHP). The purpose of this program is to enable businesses affected by COVID-19 to re-hire and retain employees.

## 9. Gifts-in-kind

During the year, significant gifts-in-kind of children's' toys (2022 - hand sanitizer) were received valued at $96,882 (2022 - $518,400). Other gifts-in-kind received during the year relate to clothing. These gifts were subsequently shipped to international partners. These gifts are not expected to be recurring in nature.

## 10. 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 sat on the Board of Directors, in a non-voting position, for four months in 2022 and was paid an annual salary during that time. The Executive Director was also reimbursed for certain travel costs associated with her duties in the normal course of operations.

## 11. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

***Foreign 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 62% (2022 - 53%) of its revenue in foreign currency (US dollars) as grants received from Good Neighbours 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).

***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization's exposure to interest rate risk is minimal and dependent upon future market rates compared to rates currently contracted for long-term debt.

***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 Neighbours International to continue to meet cash flow needs.

***Other risks***

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

There have been significant changes in the concentration of risk exposures from the prior year; however, there has been changes to the nature and extent of interest rate risk exposure as the Organization obtained interest bearing long-term debt in the year.

### 12. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.