

Financial Statements

Good Neighbors Canada

December 31, 2018



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INDEPENDENT AUDITOR'S REPORT

To the Members and the Board of Directors of Good Neighbors Canada,

We have audited the financial statements of Good Neighbors Canada, which comprise the statement of financial position as at December 31, 2018, and the statement of operations and changes in net assets and statement of 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 Good Neighbors Canada as at December 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.

We draw your attention to note 12 where allocation of the administrative expenses was reclassified after the original financial statements issue date of February 12, 2019. This reclassification does not alter our opinion on these financial statements.

Basis for Opinion

We conducted our audit in accordance with Canadian accounting standards for not-for-profit organizations. 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 Company 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 accounting standards for not-for-profit organizations 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 accounting standards for not-for-profit organizations, 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 Company'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 Company'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 Company 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.

Lee CPA

Lee Chartered Accountant Professional Corporation

Authorized to Practise Public Accounting by Chartered Professional Accountants of Ontario

March 12, 2019

GOOD NEIGHBORS CANADA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	2018	2017
ASSETS	\$	\$
Current		
Cash in Bank (Note 2 & 4)	49,671	31,576
Prepaid Expense (Note 5)	9,898	9,898
GST/HST recoverable (Note 1)	2,954	3,002
Accounts Receivable (Note 6)	1,518	-
Total Current Assets	64,041	44,476
Property, Plant & Equipment (Note 3)		
Furniture and Equipment	7,428	7,428
Accumulated Amortization	(5,005)	(2,043)
Net Furniture and Equipment	2,423	5,385
Total Net Capital Assets	2,423	5,385
Total Assets	66,464	49,861
LIABILITIES		
Accounts Payable (Note 8)	2,411	-
Withholding Taxes Payable (Note 7)	3,412	-
Total Liabilities	5,823	-
GENERAL FUND	60,641	49,861
Total Liabilities and Net Assets	66,464	49,861

Notes are integral parts of these financial statements

GOOD NEIGHBORS CANADA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Unrestricted	Internally Restricted	Invested in Capital Assets	<u>2018</u> Net Assets Balance	<u>2017</u> Net Assets Balance
	\$	\$	\$	\$	\$
Net Assets, Beginning of year	-	-	-	49,861	-
Deficiency of revenue over expenditures	10,780	-	-	10,780	49,861
Net transfer to (from) internally restricted	-	-	-	-	-
Net Assets, end of year	<u>10,780</u>	<u>-</u>	<u>-</u>	<u>60,641</u>	<u>49,861</u>

Notes are integral parts of these financial statements

GOOD NEIGHBORS CANADA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
REVENUE	\$	\$
Grants (Note 11)	281,043	146,907
Eligible Contributions (Note 10)	40,418	24,341
Ineligible Contributions (Note 10)	11,244	-
Other income (Note 13)	6,257	3,002
Total Revenue	338,962	174,250
EXPENDITURES		
Field Countries Support	52,309	15,756
Sponsorship Development & Service	7,576	5,420
Resource Development	68,637	1,113
Public Relations	25,773	33,926
Fundraising Network & Partnership	33,190	2,463
Research & Development	23,054	-
Administration (Note 12)	114,680	63,668
Depreciation Expense (Note 3)	2,962	2,043
Total Expenditures	328,182	124,389
EXCESS OF REVENUE OVER EXPENDITURES	10,780	49,861

Notes are Integral parts of these financial statements

GOOD NEIGHBORS CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
	\$	\$
Operating Cash Flows		
Excess Revenue over Expenditures	10,780	49,861
Amortization (Note 3)	2,962	2,043
Add back:		
Changes in Accrued Liabilities (Note 8)	2,411	-
Changes in Withholding Taxes Payable (Note 7)	3,412	-
Changes in Accounts Recoverable (Note 6)	48	-
Changes in GST/HST Recoverable (Note 1)	(1,518)	(3,002)
Changes in Prepaid Expense (Note 5)	-	(9,898)
Net Operating Cash Flows	18,095	39,004
Net Financing Cash Flows	-	-
Investing Cash Flows		
Purchase of Capital Assets (Note 3)	-	(7,428)
Net Investing Cash Flows	-	(7,428)
Net Increase in Cash	18,095	31,576
Cash and Cash Equivalents (Note 2 & 4)		
Beginning of Year	31,576	-
End of Year	49,671	31,576

Notes are integral parts of these financial statements

GOOD NEIGHBORS CANADA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES

Good Neighbors Canada (GNC) or “the organization” is an international humanitarian development and non-governmental organization (NGO) involved in relief projects. GNC was formed in 2017 in Canada. The organization’s main activities are in the following main areas and they are mainly carried out in the development countries:

- Education
- Health and Medial Support
- Water and Sanitation
- Emergency Relief
- Income Generation

The organization's objectives are reached by working with both its own resources and in conjunction with local and foreign partners. GNC is a not-for-profit corporation designated as a charitable organization (Canada) GNC is exempt from income taxes under paragraph 149(1)(f).

GNC was granted incorporation under Canada Not-for-profit Corporations Act.

Basis of presentation

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants Canada Handbook–Canadian Accounting Standards for not-for-profit organizations (ASNPO) applied within the framework of the accounting policies described hereafter.

These financial statements include the following funds:

- Internally Restricted Fund - representing funds available for emergency, program enhancement or other purposes specified by the Board of Directors from time to time. Any use of these funds requires explicit approval by the Board of Directors.
- Unrestricted Fund – accounting for GNC’s program delivery, development and administrative activities. This fund reports unrestricted resources.

Revenue recognition

GNC follows the deferred method of accounting for contributions, which is comprised of general local public's donations, contributions and donated goods and grants and contributions from partners and various governments and/or foreign relief organizations. Under this method, restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for capital expenditures are also deferred and recognized as revenue on the same basis as the amortization of the acquired capital asset.

GOOD NEIGHBORS CANADA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. As such, and contributions. Endowment contributions are recognized as direct increases in net assets in the year.

Other income: Interest and dividend income and other income are recognized as revenue when earned on an accrual basis.

Donations of goods are recognized when fair value can be reasonably determined. In addition, volunteers contribute their time to assist KCCA in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Government assistance

When GNC receives grants from government agencies, conditions may be attached to the grants which may require the organization to completely segregate these funds or match a portion of these funds with funds from general donations.

Allocation of expenses

GNC 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, R&D 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, benefit and all other payroll related costs are allocated based on the percentage of time dedicated to the activity.

Premises costs are solely allocated to administration.

GNC classifies its communications, education and marketing costs the same way based on the extent of time and content applicable to activity, fundraising and administrative efforts.

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.

GOOD NEIGHBORS CANADA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Cash and cash equivalents

GNC's policy is to present bank balances and term deposits with a maturity date of three months or less from the date of acquisition under cash and cash equivalents.

HST receivable

KCCA follows the taxes payable method whereby only current tax assets and liabilities are recognized. To the extent at year end that HST is recoverable, that amount is recognized as a HST receivable. Unrecoverable portion of the sales tax paid are expensed in the current year. Only 50% of GST and 82% of PST on program expenses are recoverable.

Property, plant and equipment

Property plant and equipment are measured at cost less accumulated amortization. Amortization expense is recognized at the following bases and annual rates, which are expected to amortize the net cost of these assets over their estimated useful lives:

Leasehold Improvement	Straight Line	Over the term of the lease
Computer	Declining Basis	50%
Furniture and Fixture	Declining Basis	20%

GNC reviews the amortization rate and amortization method at each reporting date.

Impairment of long-lived amortized assets

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset to be held and used with the total of undiscounted cash flows expected from its use and disposition. If the asset is impaired, the impairment loss of be recognized is measured by the amount by which the carrying amount of the asset exceeds fair value.

GOOD NEIGHBORS CANADA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Measurement of financial instruments

GNC's financial assets include cash and cash equivalents, restricted cash GST/HST recoverable and accounts receivable. Financial liabilities include credit facility accounts payable, accrued liabilities, payroll remittance payable, and loans payable.

GNC initially measures its financial assets and liabilities at fair value. GNC subsequently measures all its financial assets and financial liabilities at cost or amortized cost, unless management has elected to carry the instrument at fair value. Investments are subsequently measured at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments adjusted by transaction costs incurred on acquisition and financing costs are amortized on a straight-line basis.

Impairment of financial instruments

Financial assets measured at cost are tested for impairment when there are indicators of impairment. This test is conducted on an annual basis at the end of the fiscal year. When there is an indication of impairment, the organization determines whether there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the organization expects to realize exercising its right to any collateral.

If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value. Impairments are recognized through the use of an allowance account, with a corresponding charge in the statement of income and expenditures.

Use of judgments and estimates

The preparation of financial statement is conformity with Accounting Standards for not-for-profit organizations requires management to make estimates, assumptions and judgements that affect the application of accounting policies and reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the preparing the financial statements, and the reported amounts of revenue and expenses during the reporting periods.

GOOD NEIGHBORS CANADA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

The main judgement included in these financial statements is the useful life of property, plant and equipment, prepaid expenses, allowance for doubtful account on receivables and deferred revenue. Actual results could differ from management's best estimates as additional information becomes available in the future.

Intangible assets

Intangible assets acquired individually or as part of a group of other assets are initially recognized and measured at cost and later amortized over the expected life of the asset. Intangible assets include computer software. GNC's does not currently own any intangible assets as of the year end date.

Impairment of long-lived assets

An impairment charge is recognized for long-lived assets whenever an event or change in circumstance causes an asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated as the difference between the fair value of the assets and their carrying values.

Deferred contributions

Deferred contributions include funds received for specific uses for which the related expenditures have not been incurred.

Deferred rent (deferred tenant inducement)

The tenant inducement or discounts on rent are deferred and amortized on a straight-line basis over the term of the related lease, if any.

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using year-end exchange rates. Revenue and expenses are translated throughout the year at the prevailing exchange rate on the date of the transaction. Exchange gain and losses are recorded in the in the statement of income and expenses.

GOOD NEIGHBORS CANADA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Volunteer service

GNC does not record the value of volunteer services unless the fair value can be reasonably estimated. Majority of volunteer services are received gratuitously; therefore, no value has been included for those services in these financial statements as the fair value is not determinable.

2. CASH

There is no cash with restricted use.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Acc. Amortization	2018 Net Book Value	2017 Net Book Value
Computer Equipment	7,428	5,005	2,423	5,385
Total	\$ 7,428	\$ 5,005	\$ 2,423	\$ 5,385

The addition to Property, Plant and Equipment was \$ Nil in 2018 (2017 - \$7,428).

4. BANK INDEBTEDNESS

The organization has no line of credit facility with a bank as of the year end.

5. PREPAID EXPENSE

Prepaid expense consists of:

<u>2018</u>	<u>2017</u>	<u>Description</u>
\$7,000	\$7,000	Visa Deposit
<u>\$2,898</u>	<u>\$2,898</u>	Prepaid Visa Payment
\$9,898	\$9,898	

GOOD NEIGHBORS CANADA
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

6. ACCOUNTS RECEIVABLE

Account receivable consists of contributions that are earned but receivable as of the year end date.

	2018	2017

Account Receivable	\$ 1,518	\$ Nil

7. SALARIES PAYABLE

GNC's operation is supported by two full-time and two part-time employees, volunteers and summer interns.

8. ACCOUNTS PAYABLE

\$2,411 consists of trade payable as at December 31, 2018 (\$nil in 2017).

9. DEFERRD GRANT INCOME

GNC receives grants from a partner organization and contributions from the public. There is no specific designated project the grants and contributions are made for. Thus, there is no deferred grant income liability at year end.

GOOD NEIGHBORS CANADA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

10. CONTRIBUTIONS

Eligible and in-eligible contributions are comprised of the following:

	2018	2017
	\$	\$
Child Sponsorship	4,666	-
Project Sponsorship	38,857	24,341
Other Designated	8,139	-
	-----	-----
Total Contribution	\$ 51,662	\$ 24,705

There was no deferred contribution nor unpaid program expenses at the year end.

11. GRANTS

GNC received grants from a partner organization in 2018 of \$ 281,043 (\$145,907 in 2017). This is a general purpose grant and there is no deferred grant income liability associated with the grant as of the year end date.

GOOD NEIGHBORS CANADA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

12. ALLOCATION OF ADMINISTRATION EXPENSES

After financial statements were issued on February 12, 2019, management has discovered that an error was made in the allocation of payroll expenses. The following amounts are reallocated from administrative expenses to various accounts.

	TOTAL
Field Countries support	5,282.45
Sponsorship Dev & Service	3,800.30
Resource Development	31,148.67
Public Relations	13,919.24
Fundraising Network & Partnership	31,088.25
Research & Dev	18,909.70
Admin	20,271.24
T4 Annual Gross	124,419.84

After the reclassification, the administration costs reduced from \$218,830 to \$114,680 and are broken down into the following categories:

	2018	2017
Administration	573	-
Payroll	79,383	45,488
Professional service	8,751	-
Program Operating Expense	1,798	-
Facility and Maintenance	18,423	18,180
Office supplies	250	-
Travel and meeting expense	5,098	-
Advertising and Promotion	310	-
Miscellaneous Expense	11	-
Utilities	83	-
Total	114,680	63,668

GOOD NEIGHBORS CANADA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

13. OTHER INCOME

Other income consists of HST rebate and credit card rebates.

14. INTERFUND TRANSFERS

There was no transfer of funds between the unrestricted and internally restricted funds during the year.

15. FINANCIAL INSTRUMENTS

GNC is exposed to various risks through its financial instruments and has a risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentrations at December 31, 2018:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. GNC is exposed to credit risk from its cash balances and contributions receivables from donors.

In order to reduce its credit risk, the organization recognizes contributions receivable only when there is reasonable expectation of collection. The organization has historically not had any significant issues with collection. An allowance for doubtful accounts is only established based upon factors surrounding the credit risk of specific amount and other information. Currently, no allowance is set up for receivables. GNC's credit risk is low and the organization manages its credit risks from cash balances by maintaining its accounts with creditworthy financial institutions.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, GNC manages exposure through its normal operating and financing activities. GNC is exposed to interest rate risk primarily through its floating interest rate on its bank balance. Thus, the interest rate risk for the organization is low.

GOOD NEIGHBORS CANADA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Currency Risk

Currency risk is the risk to the association's earnings that arise from fluctuations of the exchange rates and the degree of volatility of these rates. GNC's grant during the year from GPC was in US dollars and makes contractual payments the field projects in Canadian dollars. At this time, the currency risk is considered low. The organization is considering various methods to manage the currency risk including opening a US dollar bank account to minimize currency risk in the future.

Liquidity Risk

Liquidity risk is the risk that GNC will encounter difficulty in meeting obligations associated with the settlement of its financial liabilities. GNC manages liquidity risk by maintaining sufficient cash on hand to settle obligations as they arise. GNC has sufficient cash on hand and is not subject to any significant liquidity risks arising from its financial instruments.

16. CONTRACTUAL OBLIGATIONS

Year	Amount
2019	\$ 36,000
2020	\$ 42,000
2021	\$ 48,000
2022	\$ 54,000

17. RELATED PARTY TRANSACTIONS

Related parties of the organization are considered to be board members, the senior management team and the staff of GNC who have a direct impact on the daily operations of the organization. During the year, no significant contributions were received from related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and are in the normal course of operation.

GOOD NEIGHBORS CANADA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

18. COMPARRATIVE FIGURES

Comparative figures have been reclassified to conform to the current year's presentation.