

Good Neighbors Canada
Financial Statements
Year ended December 31, 2022



Independent Auditor's Report

To the Directors of Good Neighbors Canada

Opinion

We have audited the financial statements of Good Neighbors Canada ("the Organization"), which comprise the Statement of Financial Position as at December 31, 2022, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2022 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.

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.

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.



Bringing Solutions Together

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.

Ford Keast CP

London, Ontario
April 19, 2023

**Chartered Professional Accountants
Licensed Public Accountants**

Good Neighbors Canada

Statement of Financial Position as at December 31, 2022

	2022	2021
Assets		
Current		
Cash	\$ 3,423	\$ 129,415
Government assistance receivable	1,871	38,712
Government remittances receivable	16,661	7,651
Inventory	18,626	29,721
Prepaid expenses	7,163	5,144
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	47,744	210,643
Capital assets (Note 2)	1,024,193	1,760
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	\$ 1,071,937	\$ 212,403
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 24,214	\$ 18,280
Government remittances payable	6,708	5,674
Deferred revenue	20,485	-
Deferred contributions (Note 3)	331,152	-
Long-term debt due within one year (Note 4)	18,569	-
	<hr/>	<hr/>
	401,128	23,954
Long-term debt (Note 4)	554,401	-
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	955,529	23,954
Net Assets		
Net assets	116,408	188,449
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	\$ 1,071,937	\$ 212,403

Approved by the Directors:



Director

Good Neighbors Canada

Statement of Changes in Net Assets
Year ended December 31, 2022

	2022	2021
Net assets, beginning of year	\$ 188,449	\$ 145,971
Net revenue (expense)	<u>(72,041)</u>	<u>42,478</u>
Net assets, end of year	<u>\$ 116,408</u>	<u>\$ 188,449</u>

Good Neighbors Canada

Statement of Operations

Year ended December 31, 2022

	2022	%	2021	%
Revenue				
Gifts-in-kind (Note 6)	\$ 580,792	48.7	\$ 4,045,249	88.4
Grants (Note 7)	518,363	43.4	469,281	10.3
Donations	74,441	6.2	47,480	1.0
Amortization of deferred contributions (Note 3)	13,798	1.2	-	0.0
Fundraising and product sales	4,912	0.4	12,074	0.3
Other	1,050	0.1	319	0.0
	<u>1,193,356</u>	<u>100.0</u>	<u>4,574,403</u>	<u>100.0</u>
Expenses				
Gifts-in-kind expense (Note 6)	583,765	48.9	4,176,029	91.3
Administration	110,781	9.3	78,725	1.7
Advertising and promotion	96,142	8.1	76,337	1.7
International support	74,528	6.2	100,459	2.2
Sponsorship development and service	68,039	5.7	51,144	1.1
Domestic support	62,392	5.2	28,778	0.6
Occupancy	61,377	5.1	24,768	0.5
Network and partnership	50,918	4.3	10,283	0.2
Research and development	50,271	4.2	58,036	1.3
Public relations	46,953	3.9	44,421	1.0
Resource development	34,802	2.9	34,446	0.8
Amortization	22,321	1.9	2,000	0.0
Long-term debt interest	20,868	1.7	-	0.0
Purchases of goods for resale	15,163	1.3	5,462	0.1
	<u>1,298,320</u>	<u>108.8</u>	<u>4,690,888</u>	<u>102.5</u>
Loss from operations	(104,964)	(8.8)	(116,485)	(2.5)
Government assistance (Note 10)	<u>32,923</u>	<u>2.8</u>	<u>158,963</u>	<u>3.5</u>
Net revenue (expense)	<u>\$ (72,041)</u>	<u>(6.0)</u>	<u>\$ 42,478</u>	<u>0.9</u>

Good Neighbors Canada

Statement of Cash Flows

Year ended December 31, 2022

	2022	2021
Cash provided by (used in):		
Operating Activities		
Net revenue (expense)	\$ (72,041)	\$ 42,478
Add (deduct) non-cash items:		
Amortization	22,321	2,000
Gifts-in-kind revenue	(580,792)	(4,045,249)
Gifts-in-kind expense	580,792	4,045,249
Amortization of deferred contributions	(13,798)	-
Change in non-cash working capital items related to operations (Note 8)	64,361	(13,461)
	<u>843</u>	<u>31,017</u>
Investing Activities		
Acquisition of capital assets:		
Building	(1,040,401)	-
Furniture and fixtures	(3,317)	-
Computer equipment	(1,037)	-
Deferred contributions received	344,950	-
	<u>(699,805)</u>	<u>-</u>
Financing Activities		
Increase in long-term debt	585,000	-
Payments on long-term debt	(12,030)	-
	<u>572,970</u>	<u>-</u>
Increase (decrease) in cash	(125,992)	31,017
Cash, beginning of year	129,415	98,398
Cash, end of year	<u>\$ 3,423</u>	<u>\$ 129,415</u>

Good Neighbors Canada

Notes to Financial Statements
December 31, 2022

Nature of Organization

Good Neighbors 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.

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, 2022

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
Building	25 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 \$580,792 (2021 - \$4,045,249).

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, 2022

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	
			2022	2021
Building	\$ 1,040,401	\$ 20,763	\$ 1,019,638	\$ -
Computer equipment	13,538	12,603	935	988
Furniture and fixtures	4,862	1,242	3,620	772
	<u>\$ 1,058,801</u>	<u>\$ 34,608</u>	<u>\$ 1,024,193</u>	<u>\$ 1,760</u>

3. Deferred Contributions

During the year, the Organization received \$344,950 of additional grant support to help fund the purchase of the Toronto office. These contributions are being deferred and will be amortized into income over the 25 year life of the related building.

4. Long-term Debt

	2022	2021
4.65% mortgage, payable in blended monthly instalments of \$3,735, due April 11, 2027	\$ 572,970	\$ -
Less amounts due within one year included in current liabilities	18,569	-
	<u>\$ 554,401</u>	<u>\$ -</u>

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, 2022. The mortgage is secured by the registered property, with a carrying value of \$1,019,638, as well as a general security agreement.

The aggregate amount of principal payments estimated to be required in each of the next five years are as follows:

2023	\$ 18,569
2024	19,451
2025	20,375
2026	21,343
2027	493,232
	<u>572,970</u>

Good Neighbors Canada

Notes to Financial Statements

December 31, 2022

5. 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 53% (2021 - 10%) 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).

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 Neighbors 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.

6. Gifts-in-kind

During the year, significant gifts-in-kind of hand sanitizer was received valued at \$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.

7. Economic Dependence

The Organization receives a substantial amount of its revenue in the form of grants from Good Neighbors International (53%, 2021 - 10%). Unusually high gifts-in-kind received in 2022 and 2021 which led to a decreased percentage of revenue from Good Neighbors International in both years, 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.

Good Neighbors Canada

Notes to Financial Statements
December 31, 2022

8. Statement of Cash Flows

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

	2022	2021
(Increase) decrease in current assets:		
Accounts receivable	\$ 36,841	\$ 3,907
Inventory	11,095	967
Prepaid expenses	(2,019)	(2,038)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	5,934	(4,868)
Government remittances payable	(7,975)	(4,829)
Deferred revenue	20,485	(6,600)
Net change	<u>\$ 64,361</u>	<u>\$ (13,461)</u>

9. 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 the current year and was paid an annual salary during that time. The Executive Director is also reimbursed for certain travel costs associated with her duties in the normal course of operations.

10. Government Assistance

During the year the Organization applied and was approved for a federal subsidy of \$NIL (2021 - \$122,505) 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 \$32,923 (2021 - \$27,708) 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.

During the year the Organization applied and was approved for a federal subsidy of \$Nil (2021 - \$8,750) 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.