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Financial statements of  
Doctors Without Borders  
Canada/Médecins Sans  
Frontières Canada

December 31, 2018

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Independent Auditor’s Report .....	1-2
Statement of financial position .....	3
Statement of operations.....	4
Statement of changes in net assets .....	5
Statement of cash flows.....	6
Notes to the financial statements .....	7-13

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## Independent Auditor's Report

To the Members of Doctors Without Borders Canada/  
Médecins Sans Frontières Canada

### Opinion

We have audited the financial statements of Doctors Without Borders Canada/Médecins Sans Frontières Canada ("MSF Canada"), which comprise the statement of financial position as at December 31, 2018, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MSF 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.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 MSF Canada 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 audit 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 MSF Canada'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 MSF Canada or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing MSF Canada'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 GAAS 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 GAAS, 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 MSF Canada'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 MSF Canada'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 MSF Canada 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.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
May 6, 2019

# Doctors Without Borders Canada/Médecins Sans Frontières Canada

## Statement of financial position

As at December 31, 2018

	Notes	2018	2017
		\$	\$
<b>Assets</b>			
Current assets			
Cash		11,580,749	9,779,567
Accounts receivable	3	6,977,243	9,862,662
Prepaid expenses		418,200	462,752
		<b>18,976,192</b>	20,104,981
Capital assets			
	4	9,641,442	9,864,467
		<b>28,617,634</b>	29,969,448
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	5	12,460,395	9,360,452
Commitments			
Contingencies	10 11		
<b>Net assets</b>			
Invested in capital assets		9,641,442	9,864,467
Unrestricted		6,515,797	10,744,529
		<b>16,157,239</b>	20,608,996
		<b>28,617,634</b>	29,969,448

The accompanying notes are an integral part of the financial statements.

On behalf of the Board

\_\_\_\_\_, Director

\_\_\_\_\_, Director

## Doctors Without Borders Canada/Médecins Sans Frontières Canada

### Statement of operations

Year ended December 31, 2018

	Notes	2018	2017
		\$	\$
<b>Revenue</b>			
Donations		<b>63,179,284</b>	59,119,092
Support from Global Affairs Canada (formerly, Department of Foreign Affairs, Trade and Development), International Humanitarian Assistance Directorate ("IHA")	7 (a)	<b>8,200,000</b>	11,000,000
Support from Ontario Government	7 (b)	—	1,500,000
Fees from other MSF sections	2 (a)	<b>8,932,193</b>	8,323,617
Interest		<b>256,552</b>	168,813
Other		<b>60,994</b>	44,132
		<b>80,629,023</b>	80,155,654
<b>Expenses</b>	9		
Program services			
Emergency, medical, nutrition and health projects	7 (a)(b) and 8	<b>57,760,729</b>	56,562,203
Program support and development		<b>14,537,227</b>	12,788,578
Public education		<b>1,063,413</b>	1,247,156
		<b>73,361,369</b>	70,597,937
Supporting services			
Fundraising		<b>9,581,669</b>	8,861,708
Management and general		<b>2,108,053</b>	1,921,060
		<b>11,689,722</b>	10,782,768
Foreign exchange loss		<b>29,689</b>	104,683
		<b>85,080,780</b>	81,485,388
<b>Deficiency of revenue over expenses</b>		<b>(4,451,757)</b>	(1,329,734)

The accompanying notes are an integral part of the financial statements.

**Doctors Without Borders Canada/Médecins Sans Frontières Canada**

**Statement of changes in net assets**

Year ended December 31, 2018

	<b>2018</b>			2017
	<b>Unrestricted</b>	<b>Invested in capital assets</b>	<b>Total</b>	Total
Notes	\$	\$	\$	\$
Net assets, beginning of year	<b>10,744,529</b>	<b>9,864,467</b>	<b>20,608,996</b>	21,938,730
Deficiency of revenue over expenses	<b>(4,126,179)</b>	<b>(325,578)</b>	<b>(4,451,757)</b>	(1,329,734)
Purchase of capital assets	<b>(102,553)</b>	<b>102,553</b>	—	—
Net assets, end of year	<b>6,515,797</b>	<b>9,641,442</b>	<b>16,157,239</b>	20,608,996

The accompanying notes are an integral part of the financial statements.

## Doctors Without Borders Canada/Médecins Sans Frontières Canada

### Statement of cash flows

Year ended December 31, 2018

	2018	2017
	\$	\$
<b>Operating activities</b>		
Deficiency of revenue over expenses	<b>(4,451,757)</b>	(1,329,734)
Item not affecting cash		
Amortization of capital assets	<b>325,578</b>	145,100
	<b>(4,126,179)</b>	(1,184,634)
Changes in non-cash operating working capital		
Accounts receivable	<b>2,885,419</b>	(3,724,499)
Prepaid expenses	<b>44,552</b>	(198,843)
Deposit on building acquisition		7,546,654
Accounts payable and accrued liabilities	<b>3,099,943</b>	(7,756,695)
	<b>1,903,735</b>	(5,318,017)
<b>Investing activity</b>		
Purchase of capital assets	<b>(102,553)</b>	(9,914,285)
Increase (decrease) in cash	<b>1,801,182</b>	(15,232,302)
Cash, beginning of year	<b>9,779,567</b>	25,011,869
<b>Cash and cash equivalents, end of year</b>	<b>11,580,749</b>	9,779,567

The accompanying notes are an integral part of the financial statements.



# Doctors Without Borders Canada/ Médecins Sans Frontières Canada

## Notes to the financial statements

December 31, 2018

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### 1. Nature of operations

Doctors Without Borders Canada/Médecins Sans Frontières Canada ("MSF Canada") actively commenced operations on January 1, 1992. MSF Canada was continued under the Canada Not-for-profit Corporations Act in July 2014. MSF Canada offers assistance to populations in distress, victims of natural or man-made disasters and victims of armed conflict, without discrimination and irrespective of race, religion, creed or political affiliation.

MSF Canada is a registered charity under the Income Tax Act (Canada) and, while registered (registration number 13527 5857 RR0001), is exempt from income taxes.

### 2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook. The significant accounting policies are summarized as follows:

#### (a) Revenue recognition

MSF Canada follows the deferral method of accounting for contributions. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations are recognized on the cash basis, since pledges are not legally enforceable claims. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Interest income is recognized as revenue on the accrual basis.

Fees from other Médecins Sans Frontières ("MSF") sections represent salary costs recovered and other human resource fees and are recognized as revenue when the related expenses have been incurred or services have been provided.

#### (b) Capital assets

Capital assets consist of office condominium, office equipment, furnishings and leasehold improvements. These costs are capitalized and are amortized on the straight-line basis over their estimated useful lives. Office equipment and furnishings are amortized over three years. Leasehold improvements are amortized over the lesser of three years and the lease term. Office Condominium is amortized over fifty years.

#### (c) Financial instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost.

Transaction costs incurred on the acquisition of financial instruments are expensed as incurred.

**2. Significant accounting policies (continued)**

*(c) Financial instruments (continued)*

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, MSF Canada determines if 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, and the amount MSF Canada expects to realize by 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.

*(d) Contributed materials and services*

Doctors and other volunteers contribute a significant amount of time in support of MSF Canada. As this time cannot be easily valued, contributed services are not recognized in the financial statements. Contributed materials are also not recognized.

*(e) Use of estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, accounts payable and accrued liabilities, allocation of expenses and the disclosure of contingencies. Actual results could differ from those estimates.

**3. Accounts receivable**

	<b>2018</b>	2017
	\$	\$
Donations receivable	<b>5,194,543</b>	5,826,033
IHA grant receivable	—	2,000,000
MSF organizations	<b>1,242,390</b>	1,382,893
Indirect tax receivable	<b>365,103</b>	516,852
In-kind donation	<b>114,413</b>	48,387
Other	<b>60,794</b>	88,497
	<b>6,977,243</b>	9,862,662

**Doctors Without Borders Canada/ Médecins Sans Frontières Canada****Notes to the financial statements**

December 31, 2018

**4. Capital assets**

	<b>2018</b>			2017
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>	Net book value
	\$	\$	\$	\$
Office Condominium	<b>9,703,998</b>	<b>268,560</b>	<b>9,435,438</b>	9,637,443
Office equipment	<b>868,929</b>	<b>731,149</b>	<b>137,780</b>	137,585
Furnishings	<b>213,910</b>	<b>159,895</b>	<b>54,015</b>	89,439
Leasehold improvements	<b>554,324</b>	<b>540,115</b>	<b>14,209</b>	—
	<b>11,341,161</b>	<b>1,699,719</b>	<b>9,641,442</b>	9,864,467

**5. Accounts payable and accrued liabilities**

	<b>2018</b>	2017
	\$	\$
MSF organizations related to shared grant and program expenses	<b>10,993,384</b>	7,997,474
Other	<b>1,467,011</b>	1,362,978
	<b>12,460,395</b>	9,360,452

There were no government remittances payable as at December 31, 2018 and 2017.

**6. Financial risks**

MSF Canada's current objectives when managing capital are to safeguard the assets and maintain liquidity. MSF Canada maintains its liquidity by monitoring actual and projected cash flows to ensure that it has sufficient liquidity through cash generated from current operations.

*(a) Risk management*

MSF Canada manages its investment portfolio to earn investment income and invests according to a statement of investment policy approved by the Board of Directors. MSF Canada is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

MSF Canada does not believe that it is exposed to significant market or credit risk from its financial instruments.

*(b) Currency risk*

MSF Canada is exposed to currency risk as a result of exchange rate fluctuations and the volatility of these rates. MSF Canada does not believe that it is exposed to significant currency risk arising from such transactions in foreign currencies.

*(c) Liquidity risk*

Liquidity risk is the risk that MSF Canada will be unable to fulfill its obligations on a timely basis or at a reasonable cost. MSF Canada manages its liquidity risk by monitoring its operating requirements. MSF Canada prepares budget and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations.

## Doctors Without Borders Canada/ Médecins Sans Frontières Canada

### Notes to the financial statements

December 31, 2018

#### 7. Public Institutional Grants

(a) *Global Affairs Canada, International Humanitarian Assistance Directorate ("IHA")*

MSF Canada solicits funds for projects being undertaken by Médecins Sans Frontières worldwide from IHA. IHA funds a number of these projects and grants the funding to MSF Canada. MSF Canada retains 5% (5% in 2017) of the IHA funds to cover its project coordination, administration and overhead costs. MSF Canada enters into an agency agreement with the operational MSF section that will carry out the project and transfers the IHA funds to that section. At the conclusion of the project, the operational MSF section accounts for the funds to MSF Canada. MSF Canada reviews these accounts and presents them to IHA. To the extent that the funds are not fully spent, they are required to be returned by the operational MSF section to MSF Canada and by MSF Canada to IHA, in accordance with the agreement between the respective parties. There were no amounts returnable to IHA as at December 31, 2018 and December 31, 2017.

IHA grants received during the year were used to fund projects in the following countries:

	2018	2017
	\$	\$
New grants recognized as revenue	<b>8,200,000</b>	11,000,000
Grants disbursed by country		
Democratic Republic of Congo	<b>1,425,000</b>	950,000
Ethiopia	<b>1,425,000</b>	950,000
South Sudan	—	2,850,000
Colombia	<b>475,000</b>	475,000
Bangladesh (Rohingya Refugees)	<b>3,325,000</b>	1,900,000
Myanmar	—	665,000
Tanzania	—	950,000
Uganda	<b>1,140,000</b>	1,710,000
	<b>7,790,000</b>	10,450,000

The grants disbursed amounts are included in program services expenses – emergency, medical, nutrition and health projects (Note 8).

The difference between new grants recognized as revenue and grants disbursed represents project coordination, administration and overhead expenses totaling \$410,000 (\$550,000 in 2017).

In addition to receiving financial support, MSF Canada also receives donations in-kind to support country projects. These donations in-kind are not recorded in the financial statements.

(b) *Ontario Government*

During the year, MSF Canada received a grant from the Ontario Department of Health in the amount of \$Nil (\$500,000 in 2017) in response to violence in the Rakhine State of Myanmar and the displacement of people into neighboring Bangladesh, and \$Nil (\$1,000,000 in 2017) for Emergency Humanitarian Relief in Upper Nile State and Boma State, South Sudan.

## Doctors Without Borders Canada/ Médecins Sans Frontières Canada

### Notes to the financial statements

December 31, 2018

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#### 7. Public Institutional Grants (continued)

(b) Ontario Government (continued)

MSF Canada retained 5% of the grant to cover its project coordination, administration and overhead costs. MSF Canada entered into an agency agreement with the operational MSF section that carried out the projects and transferred the grant to that section. At the conclusion of the project, the operational MSF section accounted for the funds to MSF Canada. MSF Canada reviewed those accounts and reported and submitted a final report to the Ontario Government.

	<b>2018</b>	2017
	\$	\$
New grant recognized as revenue	—	1,500,000
Grant disbursed by country		
Bangladesh (Rakhine State Refugees)	—	475,000
South Sudan	—	950,000
	—	1,425,000

The difference between the new grant recognized as revenue and the grant disbursed represents project coordination, administration and overhead expenses totaling \$Nil (\$75,000 in 2017).

## Doctors Without Borders Canada/ Médecins Sans Frontières Canada

### Notes to the financial statements

December 31, 2018

#### 8. Emergency, medical, nutrition and health projects by Country

	2018	2017
	\$	\$
Projects funded by IHA (Note 7(a))	<b>7,790,000</b>	10,450,000
Projects funded by Ontario Government (Note 7(b))	—	1,425,000
South Sudan	<b>2,000,000</b>	2,150,000
Democratic Republic of Congo	<b>6,100,000</b>	5,250,000
Haiti	<b>1,300,000</b>	1,500,000
Kenya	<b>1,400,000</b>	1,400,000
Syrian crises	<b>3,100,000</b>	650,000
Bangladesh	<b>1,000,000</b>	900,000
Chad	<b>1,000,000</b>	900,000
Ethiopia	<b>2,300,000</b>	3,300,000
Honduras	<b>400,000</b>	506,402
Central African Republic	<b>2,500,000</b>	3,300,000
Jordan	<b>700,000</b>	1,500,000
Palestine	<b>600,000</b>	500,000
Iraq	<b>1,000,000</b>	893,598
Guinea Bissau	<b>2,607,002</b>	—
Mexico	<b>1,200,000</b>	400,000
Mozambique	<b>300,000</b>	—
Myanmar	<b>1,300,000</b>	1,500,000
Nigeria	<b>3,800,000</b>	1,510,000
Access to Essential Medicines Campaign and Drugs for Neglected Diseases Initiative and Innovation Fund	<b>1,363,727</b>	1,165,863
Niger	<b>2,500,000</b>	2,210,000
Lebanon (Syrian crises)	<b>600,000</b>	600,000
Libya	<b>700,000</b>	—
Somalia	<b>1,000,000</b>	1,000,000
India	—	256,402
Cameroon	<b>2,400,000</b>	1,700,000
Iraq (Syrian refugees)	—	1,000,000
Sierra Leone	<b>700,000</b>	800,000
Uganda	—	700,000
Tanzania	<b>1,000,000</b>	1,006,402
Yemen	<b>2,300,000</b>	2,980,000
Afghanistan	<b>1,000,000</b>	800,000
Colombia	—	250,000
Mali	—	550,000
Italy (Mediterranean Sea Operations)	<b>700,000</b>	808,536
Sudan	<b>2,700,000</b>	2,200,000
Kyrgyzstan	<b>200,000</b>	200,000
Ukraine	<b>200,000</b>	300,000
	<b>57,760,729</b>	56,562,203

## Doctors Without Borders Canada/ Médecins Sans Frontières Canada

### Notes to the financial statements

December 31, 2018

#### 9. Expenses

MSF Canada classifies expenses on the Statement of operations by function ("Program"). The entity allocates certain costs by identifying the appropriate basis of allocation and applying that basis consistently each year. Allocated expenses and the basis of allocation are as follows:

##### *Common costs*

Administration costs that are not clearly assignable to a specific Program are grouped as common costs and reallocated to each Program on a consistent basis. The basis of allocation is an estimate of the percentage of usage of each Program according to space and staff numbers.

Common costs of \$1,471,264 (\$1,286,549 in 2017) were allocated as follows:

	Allocation		Allocation	
	key	2018	key	2017
	%	\$	%	\$
Program services				
Program support and development				
Human resources department	25	367,816	25	321,637
Program unit	15	220,690	15	192,983
Public education				
Communications department	15	220,690	15	192,982
Fundraising	25	367,816	25	321,637
Management and general	20	294,252	20	257,310
		<b>1,471,264</b>		<b>1,286,549</b>

#### 10. Commitments

MSF Canada has commitments for its leased premises and equipment in Montreal to December 2025. The future minimum annual lease payments under these operating leases are as follows:

	\$
2019	110,969
2020	118,011
2021	138,371
2022	140,463
2023	142,607
Thereafter	<u>291,902</u>
	<u>942,323</u>

#### 11. Contingencies

MSF Canada is involved in various legal actions that are normal to its operations. In the opinion of management, any resulting liabilities are not expected to have a material adverse effect on the financial position or net operations and will be recognized in the year of settlement.