

Financial statements of

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

December 31, 2015

**Doctors Without Borders Canada/
Médecins Sans Frontières Canada**
December 31, 2015

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Doctors Without Borders Canada/Médecins Sans Frontières Canada ("MSF Canada"), which comprise the statement of financial position as at December 31, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of MSF Canada as at December 31, 2015 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.

Other Matter

The financial statements of MSF Canada for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on April 16, 2015.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
April 21, 2016

Doctors Without Borders Canada/ Médecins Sans Frontières Canada

Statement of financial position
as at December 31, 2015

	2015	2014
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (Note 3)	17,915,259	20,288,919
Accounts receivable (Note 4)	6,395,689	3,147,922
Prepaid expenses	218,210	441,063
	24,529,158	23,877,904
Capital assets (Note 5)	135,234	200,413
	24,664,392	24,078,317
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	1,416,804	5,019,392
Deferred revenue (Note 7)	1,464,507	4,864,213
	2,881,311	9,883,605
Commitments (Note 12)		
Contingencies (Note 13)		
Net assets		
Invested in capital assets	135,234	200,413
Unrestricted	21,647,847	13,994,299
	21,783,081	14,194,712
	24,664,392	24,078,317

On behalf of the Board

_____ Director

_____ Director

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

Doctors Without Borders Canada/ Médecins Sans Frontières Canada

Statement of operations
year ended December 31, 2015

	2015	2014
	\$	\$
Revenue		
Donations	53,657,905	49,332,902
Support from Department of Foreign Affairs, Trade and Development, International Humanitarian Assistance Directorate (Note 9(a))	12,750,000	13,100,000
Support from Ontario Government (Note 9(b))	1,000,000	-
Fees from other MSF sections (Note 2(b))	6,373,809	5,966,416
Interest	214,172	130,676
Other	71,707	53,767
Total revenue	74,067,593	68,583,761
Expenses (Note 11)		
Program services		
Emergency, medical, nutrition and health projects (Notes 9(a), 9(b) and 10)	46,631,282	39,732,770
Program support and development	8,812,793	8,295,294
Public education	930,945	907,668
	56,375,020	48,935,732
Supporting services		
Fundraising	8,121,900	8,784,758
Management and general	1,982,304	1,893,081
	10,104,204	10,677,839
Total expenses	66,479,224	59,613,571
Excess of revenue over expenses	7,588,369	8,970,190

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

Doctors Without Borders Canada/ Médecins Sans Frontières Canada

Statement of changes in net assets
year ended December 31, 2015

			2015	2014
	Unrestricted	Invested in capital assets	Total	Total
	\$	\$	\$	\$
Net assets, beginning of year	13,994,299	200,413	14,194,712	5,224,522
Excess (deficiency) of revenue over expenses	7,731,333	(142,964)	7,588,369	8,970,190
Purchase of capital assets	(77,785)	77,785	-	-
Net assets, end of year	21,647,847	135,234	21,783,081	14,194,712

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

Doctors Without Borders Canada/ Médecins Sans Frontières Canada

Statement of cash flows year ended December 31, 2015

	2015	2014
	\$	\$
Operating activities		
Excess of revenue over expenses	7,588,369	8,970,190
Item not affecting cash		
Amortization of capital assets	142,964	122,638
	7,731,333	9,092,828
Changes in non-cash operating working capital		
Accounts receivable	(3,247,767)	488,077
Prepaid expenses	222,853	(91,910)
Accounts payable and accrued liabilities	(3,602,588)	(2,453,941)
Deferred revenue	(3,399,706)	2,795,888
	(2,295,875)	9,830,942
Investing activity		
Purchase of capital assets	(77,785)	(62,188)
(Decrease) increase in cash and cash equivalents	(2,373,660)	9,768,754
Cash and cash equivalents, beginning of year	20,288,919	10,520,165
Cash and cash equivalents, end of year	17,915,259	20,288,919

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

Doctors Without Borders Canada/ Médecins Sans Frontières Canada

Notes to the financial statements

December 31, 2015

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) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term investments with original maturities of less than 90 days.

(b) 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.

(c) Capital assets

Capital assets consist of 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.

(d) 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 measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Doctors Without Borders Canada/ Médecins Sans Frontières Canada

Notes to the financial statements

December 31, 2015

2. Significant accounting policies (continued)

(d) 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 or 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.

(e) 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.

(f) 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 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, deferred revenue, allocation of expenses and the disclosure of contingencies. Actual results could differ from those estimates.

3. Cash and cash equivalents

	2015	2014
	\$	\$
Cash	17,915,259	16,788,913
Money market fund	-	3,500,006
	17,915,259	20,288,919

The money market fund yielded an effective interest rate of 0.87% during 2014.

4. Accounts receivable

	2015	2014
	\$	\$
Donations receivable	2,114,809	1,301,437
IHA grant receivable	1,250,000	-
MSF Holland	1,021,029	680,296
Other MSF organizations	1,559,636	715,644
Other	450,215	450,545
	6,395,689	3,147,922

Doctors Without Borders Canada/ Médecins Sans Frontières Canada

Notes to the financial statements

December 31, 2015

5. Capital assets

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment	635,329	542,060	93,269	62,647
Furnishings	101,170	93,327	7,843	13,857
Leashold improvements	536,132	502,010	34,122	123,909
	1,272,631	1,137,397	135,234	200,413

6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is \$284,953 (2014 - \$3,582,163) in amounts owing to other MSF organizations, relating to shared grants and program expenses.

7. Deferred revenue

Externally restricted contributions that are unspent at the end of the year are included in deferred revenue. Such contributions include Public Institutional Grants (Note 9) and other externally restricted amounts.

The changes in the deferred revenue balance are as follows:

	2015	2014
	\$	\$
Balance, beginning of year	4,864,213	2,068,325
Contribution receivable, IHA grant	1,250,000	-
Externally restricted contributions received, less 5% retained	13,617,792	22,267,770
Contributions recognized as revenue	(18,267,498)	(19,471,882)
Balance, end of year	1,464,507	4,864,213

The following is a breakdown of the balance:

	2015	2014
	\$	\$
Philippines	165,562	169,101
Ethiopia	1,250,000	-
Telemedicine Project	48,945	-
Ebola	-	4,695,112
	1,464,507	4,864,213

Doctors Without Borders Canada/ Médecins Sans Frontières Canada

Notes to the financial statements

December 31, 2015

8. Financial risks

- (a) 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.

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. There has been no change to the risk exposure from 2014.

- (b) *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by MSF Canada. MSF Canada manages this risk in 2014 by holding money market instruments, which are relatively low in risk.

- (c) *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.

- (d) *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.

9. Public Institutional Grants

- (a) *Department of Foreign Affairs, Trade and Development, International Humanitarian Assistance Directorate*

MSF Canada solicits funds for projects being undertaken by Médecins Sans Frontières worldwide from the Department of Foreign Affairs, Trade and Development, International Humanitarian Assistance Directorate ("IHA"). IHA funds a number of these projects and grants the funding to MSF Canada. MSF Canada retains 5% (2014 - 5%) 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 returned by the operational MSF section to MSF Canada and by MSF Canada to IHA. There were no amounts returnable to IHA as at December 31, 2015 and December 31, 2014.

Doctors Without Borders Canada/ Médecins Sans Frontières Canada

Notes to the financial statements

December 31, 2015

9. Public Institutional Grants (continued)

(a) *Department of Foreign Affairs, Trade and Development, International Humanitarian Assistance Directorate (continued)*

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

	2015	2014
	\$	\$
New grants recognized as revenue	12,750,000	13,100,000
Grants disbursed by country		
Democratic Republic of Congo	2,137,500	1,425,000
Ethiopia	2,850,000	1,425,000
Central African Republic	2,850,000	2,850,000
South Sudan	2,850,000	1,900,000
Myanmar	-	1,330,000
Chad	-	950,000
Guinea, Liberia and Sierra Leone (Ebola)	1,425,000	2,565,000
	12,112,500	12,445,000

The grants disbursed are included in program services expenses - emergency, medical, nutrition and health projects (Note 10).

The difference between new grants recognized as revenue and grants disbursed represents project coordination, administration and overhead expenses totaling \$637,500 (2014 - \$655,000).

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 of \$1,000,000 from the Ontario Department of Health for disaster relief efforts for the Ebola crisis in West Africa.

MSF Canada retained 5% of the grant 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 projects and transfers the grant 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 reports and submits a final report to the Ontario Government. The full amount of the grant was spent during the year.

	2015	2014
	\$	\$
New grant recognized as revenue	1,000,000	-
Grants disbursed by country		
Guinea - Ebola Emergency	475,000	-
Liberia - Ebola Emergency	475,000	-
	950,000	-

Doctors Without Borders Canada/ Médecins Sans Frontières Canada

Notes to the financial statements

December 31, 2015

10. Emergency, medical, nutrition and health projects by country

	2015	2014
	\$	\$
Projects funded by DFATD-IHA (Note 9(a))	12,112,500	12,445,000
Ontario Government for Ebola Emergency (note 9(b))	950,000	-
South Sudan	3,329,000	3,600,000
Guinea (Ebola)	-	3,411,161
Democratic Republic of Congo	4,550,000	3,040,000
Haiti	3,000,000	1,850,000
Kenya	800,000	1,500,000
Syrian crises	700,000	1,200,000
Swaziland	1,100,000	1,100,000
Uzbekistan	1,100,000	1,100,000
Chad	2,000,000	900,000
Ethiopia	1,500,000	900,000
Pakistan	800,000	800,000
Central African Republic	800,000	800,000
Jordan (Syrian crises)	1,516,981	800,000
Zimbabwe	900,000	800,000
Iraq	1,000,000	710,000
Russia	700,000	700,000
Nepal	232,005	-
Myanmar	650,000	650,000
Nigeria	600,000	600,000
Philippines	-	558,181
Access to Essential Medicines Campaign and Drugs for Neglected Diseases Initiative and Innovation Fund	651,742	553,615
Niger	800,000	550,000
Lebanon (Syrian refugees)	500,000	400,000
Tajikistan	400,000	400,000
Turkey (Syrian Refugees)	400,000	-
India	300,000	300,000
Palestine	-	60,000
Other direct field costs	-	4,813
Cameroon	800,000	-
Iraq (Syrian refugees)	500,000	-
Sierra Leone	2,430,000	-
Malta	1,100	-
Tanzania	1,500,000	-
Yemen	7,954	-
	46,631,282	39,732,770

Doctors Without Borders Canada/ Médecins Sans Frontières Canada

Notes to the financial statements
December 31, 2015

11. 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 \$1,030,825 (2014 - \$1,088,165) were allocated as follows:

	Allocation key	2015	Allocation key	2014
	%	\$	%	\$
Program services				
Program support and development				
Human resources department	25	257,706	25	272,041
Program unit	15	154,624	15	163,225
Public education				
Communications department	15	154,624	15	163,225
Fundraising	25	257,706	25	272,041
Management and general	20	206,165	20	217,633
		1,030,825		1,088,165

12. Commitments

MSF Canada has commitments for its leased premises and equipment in Toronto to September 2016 and in Montreal to December 2020. The future minimum annual lease payments under operating leases are as follows:

	\$
2016	313,477
2017	81,345
2018	82,505
2019	83,705
2020	84,948
	645,980