

Financial Statements of

**DOCTORS WITHOUT BORDERS
CANADA/MÉDECINS SANS
FRONTIÈRES CANADA**

Years ended December 31, 2012 and 2011



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Doctors Without Borders Canada/Médecins Sans Frontières Canada, which comprise the statements of financial position as at December 31, 2012, December 31, 2011, and January 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, and notes, comprising 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 our 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, we consider 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Doctors Without Borders Canada/Médecins Sans Frontières Canada as at December 31, 2012, December 31, 2011 and January 1, 2011, and its results of operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Corporations Act (Ontario), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied, after giving retrospective effect to the change in accounting policy as explained in the financial statements, on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants, Licensed Public Accountants

April 8, 2013
Toronto, Canada

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

(Incorporated under the laws of Canada)

Statements of Financial Position

December 31, 2012, December 31, 2011 and January 1, 2011

	December 31, 2012	December 31, 2011	January 1, 2011
Assets			
Current assets:			
Cash and cash equivalents (note 2)	\$ 10,270,677	\$ 8,946,845	\$ 13,525,675
Investments (note 3)	18,438	4,890	47,915
Accounts receivable (note 4)	2,831,830	2,994,611	2,392,273
Prepaid expenses	182,390	186,109	203,164
	<u>13,303,335</u>	<u>12,132,455</u>	<u>16,169,027</u>
Capital assets (note 5)	24,779	48,660	58,770
	<u>\$ 13,328,114</u>	<u>\$ 12,181,115</u>	<u>\$ 16,227,797</u>

Liabilities and Net Assets

Current liabilities:			
Accounts payable and accrued liabilities (note 6)	\$ 8,839,785	\$ 5,125,956	\$ 6,981,929
Net assets:			
Invested in capital assets	24,779	48,660	58,770
Unrestricted	4,463,550	7,006,499	9,187,098
	<u>4,488,329</u>	<u>7,055,159</u>	<u>9,245,868</u>
Commitments (note 11)			
Contingencies (note 12)			
	<u>\$ 13,328,114</u>	<u>\$ 12,181,115</u>	<u>\$ 16,227,797</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Statements of Operations

Years ended December 31, 2012 and 2011

	2012	2011
Revenue:		
Donations	\$ 31,998,393	\$ 34,374,233
Support from Canadian International Development Agency (note 8)	5,700,000	5,600,000
Grants from other MSF sections	4,266,610	3,905,592
Interest	93,197	124,473
Other	68,754	229,280
	<u>42,126,954</u>	<u>44,233,578</u>
Expenses (note 10):		
Program services:		
Emergency, medical, nutrition and health projects (notes 8 and 9)	29,531,147	30,696,922
Program support and development	5,643,681	6,292,483
Public education	768,489	1,066,685
	<u>35,943,317</u>	<u>38,056,090</u>
Supporting services:		
Fundraising	7,018,586	6,761,774
Management and general	1,731,881	1,606,423
	<u>8,750,467</u>	<u>8,368,197</u>
	<u>44,693,784</u>	<u>46,424,287</u>
Excess of expenses over revenue	\$ (2,566,830)	\$ (2,190,709)

See accompanying notes to financial statements.

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Statements of Changes in Net Assets

Years ended December 31, 2012 and 2011

2012	Unrestricted	Invested in capital assets	Total
Net assets, beginning of year	\$ 7,006,499	\$ 48,660	\$ 7,055,159
Excess of expenses over revenue	(2,536,610)	(30,220)	(2,566,830)
Purchase of capital assets	(6,339)	6,339	–
Net assets, end of year	\$ 4,463,550	\$ 24,779	\$ 4,488,329

2011	Unrestricted	Invested in capital assets	Total
Net assets, beginning of year	\$ 9,187,098	\$ 58,770	\$ 9,245,868
Excess of expenses over revenue	(2,144,396)	(46,313)	(2,190,709)
Purchase of capital assets	(36,203)	36,203	–
Net assets, end of year	\$ 7,006,499	\$ 48,660	\$ 7,055,159

See accompanying notes to financial statements.

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Excess of expenses over revenue	\$ (2,566,830)	\$ (2,190,709)
Amortization of capital assets which does not involve cash	30,220	46,313
Change in non-cash operating working capital:		
Accounts receivable	162,781	(602,338)
Prepaid expenses	3,719	17,055
Accounts payable and accrued liabilities	3,713,829	(1,855,973)
	<u>1,343,719</u>	<u>(4,585,652)</u>
Investing activities:		
Change in investments	(13,548)	43,025
Purchase of capital assets	(6,339)	(36,203)
	<u>(19,887)</u>	<u>6,822</u>
Increase (decrease) in cash and cash equivalents	1,323,832	(4,578,830)
Cash and cash equivalents, beginning of year	8,946,845	13,525,675
Cash and cash equivalents, end of year	<u>\$ 10,270,677</u>	<u>\$ 8,946,845</u>

See accompanying notes to financial statements.

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Notes to Financial Statements

Years ended December 31, 2012 and 2011

Doctors Without Borders Canada/Médecins Sans Frontières Canada ("MSF Canada") actively commenced operations on January 1, 1992. 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.

On January 1, 2012, MSF Canada adopted Canadian Accounting Standards for Not-For-Profit Organizations in Part III of The Canadian Institute of Chartered Accountants' ("CICA") Handbook. These are the first financial statements prepared in accordance with not-for-profit standards.

In accordance with the transitional provisions in not-for-profit standards, MSF Canada has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. All comparative information provided has been presented by applying not-for-profit standards.

There were no adjustments to net assets as at January 1, 2011 or excess of expenses over revenue for the year ended December 31, 2011 as a result of the transition to Canadian accounting standards for not-for-profit organizations.

1. 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 CICA Handbook. The significant accounting policies are summarized as follows:

(a) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and 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, unless management has elected to carry the instruments at fair value. MSF Canada has not elected to carry any such financial instruments at fair value.

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

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.

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.

(b) 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.

(c) Capital assets:

Capital assets consist of office equipment, furnishings and leasehold improvements. These costs are capitalized and amortized on a straight-line basis using an estimated useful life of three years.

(d) 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 a 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.

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

Interest income is recognized as revenue on an accrual basis.

Grants from other MSF sections are recognized as revenue when related expenses are incurred or services are provided.

(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 years. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, accounts payable and accrued liabilities, and the disclosure of contingencies. Actual results could differ from those estimates.

2. Cash and cash equivalents:

	December 31, 2012	December 31, 2011	January 1, 2011
Cash	\$ 6,770,671	\$ 5,446,839	\$ 10,025,669
Money market fund	3,500,006	3,500,006	3,500,006
	<u>\$ 10,270,677</u>	<u>\$ 8,946,845</u>	<u>\$ 13,525,675</u>

At December 31, 2012, the money market fund yielded an effective interest rate of 0.88% (December 31, 2011 - 0.88%; January 1, 2011 - 0.41%).

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

3. Investments:

	December 31, 2012	December 31, 2011	January 1, 2011
Equities, measured at fair value	\$ 3,174	\$ 4,890	\$ 29,837
Mutual funds, consisting of equities measured at fair value	15,264	–	18,078
	<u>\$ 18,438</u>	<u>\$ 4,890</u>	<u>\$ 47,915</u>

Investments represent gifts-in-kind donated at year end and sold subsequent to year end.

4. Accounts receivable:

	December 31, 2012	December 31, 2011	January 1, 2011
Donations receivable	\$ 1,068,413	\$ 1,458,237	\$ 1,198,479
MSF Holland	619,737	467,684	242,386
Other MSF organizations	723,594	458,914	817,418
Other	420,086	609,776	133,990
	<u>\$ 2,831,830</u>	<u>\$ 2,994,611</u>	<u>\$ 2,392,273</u>

5. Capital assets:

December 31, 2012	Cost	Accumulated amortization	Net book value
Office equipment	\$ 464,735	\$ 442,510	\$ 22,225
Furnishings	72,521	72,521	–
Leasehold improvements	266,770	264,216	2,554
	<u>\$ 804,026</u>	<u>\$ 779,247</u>	<u>\$ 24,779</u>

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

5. Capital assets (continued):

December 31, 2011	Cost	Accumulated amortization	Net book value
Office equipment	\$ 458,497	\$ 418,739	\$ 39,758
Furnishings	72,521	70,391	2,130
Leasehold improvements	266,770	259,998	6,772
	<u>\$ 797,788</u>	<u>\$ 749,128</u>	<u>\$ 48,660</u>

January 1, 2011	Cost	Accumulated amortization	Net book value
Office equipment	\$ 422,321	\$ 393,501	\$ 28,820
Furnishings	78,044	64,960	13,084
Leasehold improvements	262,746	245,880	16,866
	<u>\$ 763,111</u>	<u>\$ 704,341</u>	<u>\$ 58,770</u>

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities is \$7,931,000 (December 31, 2011 - \$4,145,877; January 1, 2011 - \$6,222,018) in amounts owing to other MSF organizations, relating to shared grants and program expenditures.

Included in accounts payable and accrued liabilities are government remittances payable of \$279 (December 31, 2011 - \$355; January 1, 2011 - \$286), which includes amounts payable for payroll related taxes.

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

7. Financial instruments:

(a) Investment risk management:

Investments are primarily exposed to interest rate and market risk. MSF Canada has formal policies and procedures that address risk mitigation.

(b) Fair values:

The fair values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these financial instruments.

The fair values of equity investments are based on quoted market values, as disclosed in note 3.

(c) 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 by holding guaranteed investment certificates and by staggering the terms of the securities held.

(d) Market risk:

Market risk arises as a result of receiving donated securities. Fluctuations in the market expose MSF Canada to a risk of loss. MSF Canada mitigates its own market risk through investing in guaranteed investment certificates.

(e) Currency risk:

MSF Canada is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, MSF Canada provides and receives grants from other MSF sections denominated in Euros. MSF Canada does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from 2011.

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

7. Financial instruments (continued):

(f) 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 forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2011.

8. Canadian International Development Agency:

MSF Canada solicits funds for projects being undertaken by Médecins Sans Frontières worldwide from Canadian International Development Agency ("CIDA"). CIDA funds a number of these projects and grants the funding to MSF Canada. MSF Canada retains 5% (2011 - 5%) of the CIDA 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 passes on the CIDA funds to that section. At the conclusion of the project, the operational section accounts for the funds to MSF Canada. MSF Canada reviews these accounts and presents them to CIDA. To the extent that the funds are not fully spent, they are returned by the operational section to MSF Canada and by MSF Canada to CIDA.

	2012	2011
New grants recognized as revenue	\$ 5,700,000	\$ 5,600,000
Grants disbursed by country:		
Democratic Republic of Congo	\$ 1,425,000	\$ 1,425,000
Ethiopia - Somali region	1,900,000	950,000
Chad	–	570,000
Central African Republic	950,000	950,000
Niger	–	475,000
South Sudan	1,140,000	950,000
	\$ 5,415,000	\$ 5,320,000

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

8. Canadian International Development Agency (continued):

The grants disbursed are included in program services expenses - emergency and medical projects.

For the year ended December 31, 2012, the difference between new grants recognized as revenue and grants disbursed represents project coordination, administration and overhead expenses totalling \$285,000 (2011 - \$280,000).

9. Emergency, medical, nutrition and health projects by country:

	2012	2011
Projects funded by CIDA (note 8)	\$ 5,415,000	\$ 5,320,000
Democratic Republic of Congo	3,120,000	2,500,000
Haiti	3,070,000	3,500,000
Uzbekistan	2,410,000	-
Somalia	2,320,000	-
Chad	1,860,000	1,300,000
Swaziland	1,610,000	-
South Sudan	1,310,000	2,850,000
Ethiopia	1,310,000	-
Zimbabwe	1,210,000	2,000,000
Pakistan	1,010,000	37,000
Guinea	800,000	1,000,000
Mozambique	800,000	900,000
Iraq	800,000	600,000
Central African Republic	710,000	-
Cameroon	350,000	-
Access to Essential Medicines Campaign and Drugs for Neglected Diseases Initiative and Innovation Fund	699,089	368,613
Niger	300,000	300,000
Nigeria	250,000	2,000,000
Syria	111,000	-
India	60,000	-
Other direct field costs	6,058	66,217
Somalia (2011 Crisis)	-	4,905,092
Caucasus - Russia	-	1,000,000
Colombia	-	1,000,000
Papua New Guinea	-	1,000,000
Libya	-	50,000
	\$ 29,531,147	\$ 30,696,922

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

10. 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. These costs are prescribed by the MSF International Accounting Standards ("MSF IAS"), developed and accepted by all MSF sections for the purpose of producing recombined financial statements that are separately audited and certified. Allocated expenses and the basis of allocation are as follows:

Common costs:

Administration costs, as prescribed by MSF IAS, 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 \$1,012,409 (2011 - \$1,039,870) were allocated as follows:

	Allocation key	2012	Allocation key	2011
Program services:				
Program support and development:				
Operating cell		\$ -	10%	\$ 103,987
Human resources department	25%	253,102	25%	259,968
Program unit	15%	151,861	5%	51,994
Public development:				
Communications department	15%	151,861	15%	155,981
Fundraising department	25%	253,102	25%	259,968
Management, general and administration	20%	202,483	20%	207,972
		\$ 1,012,409		\$ 1,039,870

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

11. Commitments:

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

2013	\$ 158,132
2014	145,533
2015	149,646
2016	87,908
	<hr/>
	\$ 541,219

12. Contingencies:

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