

Financial Statements of

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

Year ended December 31, 2013



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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 statement of financial position as at December 31, 2013, the statements of operations, changes in net assets and cash flows for the year then ended, 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 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 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 is sufficient and appropriate to provide a basis for our audit opinion.



Page 2

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, 2013, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Canada Corporations Act, 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 on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 17, 2014
Toronto, Canada

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 10,520,165	\$ 10,289,115
Accounts receivable (note 3)	3,635,999	2,831,830
Prepaid expenses	349,153	182,390
	<u>14,505,317</u>	<u>13,303,335</u>
Capital assets (note 4)	260,863	24,779
	<u>\$ 14,766,180</u>	<u>\$ 13,328,114</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 7,473,333	\$ 8,839,785
Deferred revenue	2,068,325	—
	<u>9,541,658</u>	<u>8,839,785</u>
Net assets:		
Invested in capital assets	260,863	24,779
Unrestricted	4,963,659	4,463,550
	<u>5,224,522</u>	<u>4,488,329</u>
Commitments (note 10)		
Contingencies (note 11)		
	<u>\$ 14,766,180</u>	<u>\$ 13,328,114</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Statement of Operations

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Revenue:		
Donations	\$ 36,827,488	\$ 31,998,393
Support from Department of Foreign Affairs, Trade and Development, International Humanitarian Assistance Directorate (note 7)	5,000,000	5,700,000
Grants from other MSF sections	4,939,771	4,266,610
Interest	102,418	93,197
Other	43,059	68,754
	<u>46,912,736</u>	<u>42,126,954</u>
Expenses (note 9):		
Program services:		
Emergency, medical, nutrition and health projects (notes 7 and 8)	29,601,575	29,531,147
Program support and development	6,714,070	5,643,681
Public education	784,020	768,489
	<u>37,099,665</u>	<u>35,943,317</u>
Supporting services:		
Fundraising	7,554,585	7,018,586
Management and general	1,522,293	1,731,881
	<u>9,076,878</u>	<u>8,750,467</u>
	<u>46,176,543</u>	<u>44,693,784</u>
Excess of revenue over expenses (expenses over revenue)	<u>\$ 736,193</u>	<u>\$ (2,566,830)</u>

See accompanying notes to financial statements.

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Statement of Changes in Net Assets

Year ended December 31, 2013, with comparative information for 2012

			2013	2012
	Unrestricted	Invested in capital assets	Total	Total
Net assets, beginning of year	\$ 4,463,550	\$ 24,779	\$ 4,488,329	\$ 7,055,159
Excess of revenue over expenses (expenses over revenue)	828,741	(92,548)	736,193	(2,566,830)
Purchase of capital assets	(328,632)	328,632	–	–
Net assets, end of year	\$ 4,963,659	\$ 260,863	\$ 5,224,522	\$ 4,488,329

See accompanying notes to financial statements.

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses (expenses over revenue)	\$ 736,193	\$ (2,566,830)
Amortization of capital assets which does not involve cash	92,548	30,220
Change in non-cash operating working capital:		
Accounts receivable	(804,169)	162,781
Prepaid expenses	(166,763)	3,719
Accounts payable and accrued liabilities	(1,366,452)	3,713,829
Deferred revenue	2,068,325	—
	559,682	1,343,719
Investing activities:		
Purchase of capital assets	(328,632)	(6,339)
Increase in cash and cash equivalents	231,050	1,337,380
Cash and cash equivalents, beginning of year	10,289,115	8,951,735
Cash and cash equivalents, end of year	\$ 10,520,165	\$ 10,289,115

See accompanying notes to financial statements.

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Notes to Financial Statements

Year ended December 31, 2013

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.

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 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 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.

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.

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2013

1. Significant accounting policies (continued):

(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) 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.

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.

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2013

1. Significant accounting policies (continued):

(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, and the disclosure of contingencies. Actual results could differ from those estimates.

2. Cash and cash equivalents:

	2013	2012
Cash	\$ 7,020,159	\$ 6,789,109
Money market fund	3,500,006	3,500,006
	<u>\$ 10,520,165</u>	<u>\$ 10,289,115</u>

At December 31, 2013, the money market fund yielded an effective interest rate of 0.87% (2012 - 0.88%).

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2013

3. Accounts receivable:

	2013	2012
Donations receivable	\$ 1,946,066	\$ 1,068,413
MSF Holland	591,796	619,737
Other MSF organizations	426,865	723,594
Other	671,272	420,086
	<u>\$ 3,635,999</u>	<u>\$ 2,831,830</u>

4. Capital assets:

	2013		2012	
	Cost	Accumulated amortization	Net book value	Net book value
Office equipment	\$ 517,572	\$ 469,199	\$ 48,373	\$ 22,225
Furnishings	94,754	76,468	18,286	-
Leasehold improvements	520,332	326,128	194,204	2,554
	<u>\$ 1,132,658</u>	<u>\$ 871,795</u>	<u>\$ 260,863</u>	<u>\$ 24,779</u>

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities is \$6,577,091 (2012 - \$7,931,000) in amounts owing to other MSF organizations, relating to shared grants and program expenditures.

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2013

6. Financial risks:

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

Risk management:

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

MSF does not believe that it is exposed to significant market, credit or interest rate risk from its financial instruments/

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

- (c) Currency risk:

MSF Canada is exposed to currency risk as a result of exchange rate fluctuations and the volatility of these rates. The Organization 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 forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2012.

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2013

7. Department of Foreign Affairs, Trade and Development, International Humanitarian Assistance Directorate (formerly CIDA):

MSF Canada solicits funds for projects being undertaken by Médecins Sans Frontières worldwide from 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% (2012 - 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 passes on the IHA 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 IHA. 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 IHA.

	2013	2012
New grants recognized as revenue	\$ 5,000,000	\$ 5,700,000
Grants disbursed by country:		
Democratic Republic of Congo	\$ 1,425,000	\$ 1,425,000
Ethiopia	950,000	1,900,000
Central African Republic	1,425,000	950,000
South Sudan	-	1,140,000
Philippines	950,000	-
	\$ 4,750,000	\$ 5,415,000

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

For the year ended December 31, 2013, the difference between new grants recognized as revenue and grants disbursed represents project coordination, administration and overhead expenses totalling \$250,000 (2012 - \$285,000).

Besides 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. MSF-Canada registers the use of goods made available by third parties if these are of vital importance in executing aid projects and if these would be purchased if they were not made available to the organization. The total value of these goods received was \$1,500,000 in 2013 (2012 - nil) from IHA for humanitarian aid following the typhoon in the Philippines.

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2013

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

	2013	2012
Projects funded by CIDA (note 7)	\$ 4,750,000	\$ 5,415,000
Democratic Republic of Congo	3,140,000	3,120,000
Haiti	2,000,000	3,070,000
Somalia	2,000,000	2,320,000
Philippines	1,320,962	–
Uzbekistan	1,300,000	2,410,000
South Sudan	1,000,000	1,310,000
Chad	1,000,000	1,860,000
Swaziland	1,000,000	1,610,000
Ethiopia	1,000,000	1,310,000
Myanmar	1,000,000	–
Zimbabwe	921,000	1,210,000
Pakistan	900,000	1,010,000
Iraq (Syrian refugees)	800,000	–
Guinea	800,000	800,000
Kenya	800,000	–
Russia	800,000	–
Access to Essential Medicines Campaign and Drugs for Neglected Diseases Initiative and Innovation Fund	668,879	699,089
Central African Republic	650,000	710,000
Cameroon	650,000	350,000
Iraq	600,000	800,000
Niger	600,000	300,000
Lebanon (Syrian refugees)	500,000	–
Tajikistan	400,000	–
Nigeria	300,000	250,000
India	300,000	60,000
Syria	200,000	111,000
Iraq (Al Qaim Syrian refugees)	100,000	–
Other direct field costs	45,429	6,058
Other Social Mission	45,305	–
Sudan	10,000	–
Mozambique	–	800,000
	\$ 29,601,575	\$ 29,531,147

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2013

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. 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 \$1,182,736 (2012 - \$1,012,409) were allocated as follows:

	Allocation key	2013	Allocation key	2012
Program services:				
Program support and development:				
Human resources department	25%	\$ 295,684	25%	\$ 253,102
Program unit	15%	177,410	15%	151,861
Public development:				
Communications department	15%	177,410	15%	151,861
Fundraising department	25%	295,684	25%	253,102
Management, general and administration	20%	236,548	20%	202,483
		\$ 1,182,736		\$ 1,012,409

DOCTORS WITHOUT BORDERS CANADA/ MÉDECINS SANS FRONTIÈRES CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2013

10. Commitments:

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

2014	\$ 145,533
2015	149,646
2016	87,908
	<hr/>
	\$ 383,087

11. 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.

12. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.