Transparency International Canada Inc.

Financial Statements

December 31, 2017

Clarkson Rouble LLP
Chartered Professional Accountants

Auditors' Report

To the members of
Transparency International Canada Inc.

Report of the Financial Statements

We have audited the accompanying financial statements of **Transparency International Canada Inc.**, which comprise the statement of financial position as at **December 31, 2017** and the statements of revenues, expenditures and surplus 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 plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 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 qualified audit opinion.

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Basis for Qualified Opinion

The organization derives revenue from membership fees and contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenditures, assets and surplus.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, which might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the membership fees and contributions referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Organization as at **December 31, 2017** and the results of its operations for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Clarkson Rouble LLP

Mississauga, Ontario
June 8, 2018

Clarkson Rouble LLP
Chartered Professional Accountants
Licensed Public Accountants

Transparency International Canada Inc.

Statement of Financial Position

As at December 31

		2017		2016
Assets				
Current				
Cash and cash equivalents	$	124,821	$	154,340
Accounts receivable		3,758		98
HST recoverable		3,522		3,496
Witholding taxes receivable		2,088		-
Prepaid expenses		196		-
	$	**134,385**	**$**	**157,934**
Liabilities				
Current				
Accounts payable and accrued liabilities	$	20,974	$	22,670
Witholding taxes payable		-		714
Deferred income		62,318		53,455
		83,292		76,839
Surplus				
Surplus		51,093		81,095
	$	**134,385**	**$**	**157,934**

On behalf of the Board:

Director

Director

Transparency International Canada Inc.

Statement of Revenues, Expenditures and Surplus
Year Ended December 31

	2017	2016
Revenues		
Membership fees and contributions	$ 31,330	$ 65,304
Grants	113,019	51,313
Symposium	47,635	33,647
	191,984	150,264
Expenses		
Travel	24,824	10,435
Office expense	6,419	5,424
Professional fees	87,563	60,378
Salaries	82,352	79,698
Web page	4,664	3,965
Marketing	3,353	2,123
Rent	4,677	-
Symposium	1,533	6,400
Conferences	1,065	-
Events and outreach	3,754	-
Insurance	1,782	1,890
	221,986	170,313
Deficiency of revenues over expenditures	**(30,002)**	**(20,049)**
Surplus, beginning of year	81,095	101,144
Surplus, end of year	**$ 51,093**	**$ 81,095**

Transparency International Canada Inc.

Statement of Cash Flows
Year Ended December 31

		2017		2016
Operating activities				
Deficiency of revenues over expenditures	$	(30,002)	$	(20,049)
Cash generated from (used for)				
Changes in non-cash working capital items				
Accounts receivable		(3,660)		12,458
Accounts payable and accrued liabilities		(1,696)		5,746
HST recoverable		(26)		(3,495)
Witholding taxes receivable		(2,802)		714
Deferred income		8,863		53,455
Prepaid expenses and other assets		(196)		1,273
(Decrease) increase in cash		**(29,519)**		**50,102**
Cash and cash equivalents, beginning of year		154,340		104,238
Cash and cash equivalents, end of year	**$**	**124,821**	**$**	**154,340**

Objects and organization

The organization was incorporated on November 7, 1996 under the laws of the Government of Canada as a non-profit corporation without share capital. The organization received registered charity status on February 10, 2009. On October 7, 2013, the organization received a Certificate of Continuance under section 211 of the Canada Not-for-profit Corporations Act.

The primary objects of the organization are:

a) To encourage compliance with Canadian laws and international conventions to which Canada is a signatory, against bribery and corruption ("Canadian Anti-Corruption Laws") by educating businesses, professional organizations, governments and the public at large about Canadian Anti-Corruption Laws and the adverse impact of non-compliance therewith;

b) To develop and promote ethical standards of conduct for businesses, professional organizations, governments and the public at large to assist them in complying with Canadian Anti-Corruption Laws;

c) To conduct or commission research on issues concerning the prevention and elimination of bribery and corruption and to communicate the results therefrom to businesses, professional organizations, governments and the public at large; and

d) To assist the Canadian Government in fulfilling its obligations under international conventions to which Canada is a signatory in the prevention of and the fight against bribery and corruption.

1. Significant accounting policies

The financial statements of Transparency International Canada Inc. prepared in accordance with Canadian accounting standards for not-for-profit organizations as described below.

(a) Cash and cash equivalents

Cash and cash equivalents consist of cash in bank only.

(b) Accrual basis of accounting

These financial statements are prepared using the accrual basis of accounting whereby revenues are recognized as they become available and expenditures are recognized as they are incurred through the receipt of goods and services.

1. Significant accounting policies (continued)

(c) Revenue recognition

The financial statements are prepared using the deferral method of accounting for contributions under which contributions are recorded as received and pledges receivable are excluded from recorded revenues.

Grants income is recognized once the specific expenses related to the project have been incurred. Deferred revenue results when grants are received in advance of an expenses being incurred.

Symposium income is recognized when the event takes place.

(d) Financial instruments

Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

(e) Use of estimates by management

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results may differ from estimates. Significant estimates and assumptions are used when accounting for such items such as the collectibility of accounts receivable and accrued liabilities.

1. Significant accounting policies (continued)

(f) Deferred revenue

Deferred revenue consists of amounts received prior to the completion of the services required. The revenue will be recognized in the period of completion.

2. Related party transactions

The organization had no related party transactions other than contributions from directors or their employers' organizations and reimbursement of expenses paid for by the directors. In addition, some of the director's employer organizations contributed the use of board rooms.

3. Income taxes

The organization is registered as a charitable organization under Section 149 (1)(f) of the Income Tax Act (Canada) and, as such, is exempt from income taxes, and may issue receipts that are eligible for a non-refundable tax credit by an individual donor and a tax deduction by a corporate donor.

4. Financial instruments

The organization's activities expose it to a variety of financial risks: credit risk, liquidity risk, currency risk and interest rate risk. The organization's risk management approach is to minimize the potential adverse effects from these risks on its financial performance.

Credit risk

Credit risk arises from the financial assets of the organization, which are exposed to potential counterparty default, with a maximum exposure equal to the carrying amount of these assets.

In the normal course of business, the organization incurs credit risk from accounts receivable from third parties. The organization performs ongoing credit evaluations of new and existing customers' financial conditions and reviews the collectibility of amounts receivable. No single party accounts for a significant balance of accounts receivable. In the last three years, there has been no bad debt expense.

The organization's credit risk with respect to its cash and cash equivalents is minimized substantially by seeking to ensure these financial instruments are secured with a well capitalized financial institution.

4. Financial instruments (continued)

Liquidity Risk

The Organization is exposed to liquidity risk in that the Organization will not have sufficient cash resources to meet its financial obligations as they come due in the normal course of business. The Organization manages its liquidity risk by monitoring its operating requirements to ensure financial resources are available. The Organization has also set up a cash reserve within budgeting and finance processes, which operates as a treshold of minimum liquidity that would trigger cost cutting measures to ensure continued operations.

Currency risk

Currency risk is the risk to the Organization's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Organization has minimal transactions involving foreign currency, therefore exposure to such risk is not significant. The Organization does not use derivative instruments to reduce its exposure to foreign currency risk.

Interest rate risk

The Organization's borrowings are based on floating rates and subject to interest rate cash flow risk as the required cash flows to service debt will fluctuate as a result of changes in market rates. The Organization does not currently have a significant exposure to interest rate risk.