

**Transparency International Canada
Inc.**

Financial Statements

December 31, 2018



Auditors' Report

To the members of
Transparency International Canada Inc.

We have audited the financial statements of **Transparency International Canada Inc. (the Organization)**, which comprise the statement of financial position as at **December 31, 2018 and 2017**, the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at **December 31, 2018 and 2017**, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations, 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. Therefore, we were not able to determine whether any adjustments might be necessary to the donation and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 the Organization 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 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 the Organization'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 the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Transparency International Canada Inc.

Independent Auditors' Report

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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 generally accepted auditing standards 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 generally accepted auditing standards, 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 the Organization'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 the Organization'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 the Organization 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.

Mississauga, Ontario
June 18, 2019

Clarkson Rouble LLP

Clarkson Rouble LLP
Chartered Professional Accountants
Licensed Public Accountants



Transparency International Canada Inc.

Statement of Financial Position As at December 31

	2018	2017
Assets		
Current		
Cash and cash equivalents	\$ 205,091	\$ 124,821
Accounts receivable	4,581	3,758
HST recoverable	8,154	3,522
Withholding taxes receivable	-	2,088
Prepaid expenses	-	196
	\$ 217,826	\$ 134,385
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 15,120	\$ 20,974
Withholding taxes payable	4,185	-
Deferred revenues	138,702	62,318
	158,007	83,292
Surplus		
Surplus	59,819	51,093
	\$ 217,826	\$ 134,385

On behalf of the Board:

Director

Director

Transparency International Canada Inc.

Statement of Revenues, Expenditures and Surplus Year Ended December 31

	2018	2017
Revenues		
Membership fees and contributions	\$ 94,221	\$ 31,330
Grants	154,846	113,019
Symposium	17,299	47,635
	<u>266,366</u>	<u>191,984</u>
Expenses		
Travel	11,413	24,824
Office expense	7,746	6,419
Professional fees	100,080	87,563
Salaries	110,626	82,352
Web page	68	4,664
Marketing	10,894	3,353
Rent	5,422	4,677
Symposium	3,232	1,533
Conferences	1,281	1,065
Workshop	5,042	-
Events and outreach	-	3,754
Insurance	1,836	1,782
	<u>257,640</u>	<u>221,986</u>
Excess (deficiency) of revenues over expenditures	8,726	(30,002)
Surplus, beginning of year	51,093	81,095
Surplus, end of year	\$ 59,819	\$ 51,093

Transparency International Canada Inc.

Statement of Cash Flows Year Ended December 31

	2018	2017
Operating activities		
Excess (deficiency) of revenues over expenditures	\$ 8,726	\$ (30,002)
Cash generated from (used for)		
Changes in non-cash working capital items		
Accounts receivable	(823)	(3,660)
Accounts payable and accrued liabilities	(5,854)	(1,696)
HST recoverable	(4,632)	(26)
Withholding taxes payable	6,273	(2,802)
Deferred revenues	76,384	8,863
Prepaid expenses and other assets	196	(196)
Increase (decrease) in cash	80,270	(29,519)
Cash and cash equivalents, beginning of year	124,821	154,340
Cash and cash equivalents, end of year	\$ 205,091	\$ 124,821

Transparency International Canada Inc.

Notes to Financial Statements

December 31, 2018

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.

Transparency International Canada Inc.

Notes to Financial Statements

December 31, 2018

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.

Transparency International Canada Inc.

Notes to Financial Statements

December 31, 2018

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, the allowance for doubtful accounts has been \$NIL and bad debt expense has been \$NIL (2017 - \$NIL, 2016 - \$NIL).

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.

Transparency International Canada Inc.

Notes to Financial Statements

December 31, 2018

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 threshold 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.