

Health Partners International of Canada  
Financial Statements  
For the year ended September 30, 2021

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## Independent Auditor's Report

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To the Board of Directors of Health Partners International of Canada

### Opinion

We have audited the financial statements of Health Partners International of Canada (the "organization"), which comprise the statement of financial position as at September 30, 2021, the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at September 30, 2021, 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.

### Basis for Opinion

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.

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## Independent Auditor's 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.

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## Independent Auditor's Report

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- 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.

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Montréal, Québec  
February 23, 2022

## Health Partners International of Canada Statement of Financial Position

September 30	2021	2020
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 1,613,317	\$ 1,418,206
Accounts receivable (Note 2)	279,743	84,909
Inventory	4,457,963	6,065,923
Prepaid expenses	7,181	4,254
	<u>6,358,204</u>	<u>7,573,292</u>
Deposits	25,556	25,556
Capital assets (Note 3)	<u>10,668</u>	<u>28,126</u>
	<u>\$ 6,394,428</u>	<u>\$ 7,626,974</u>
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 95,802	\$ 109,481
Deferred inventory contributions (Note 5)	4,454,589	6,057,289
Deferred revenue - Foundations and organizations (Note 6)	<u>574,985</u>	<u>819,237</u>
	5,125,376	6,986,007
Government loan (Note 7)	60,000	40,000
Deferred contributions related to capital assets	<u>13,692</u>	<u>29,501</u>
	5,199,068	7,055,508
<b>Net Assets</b>		
Unrestricted	<u>1,195,360</u>	<u>571,466</u>
	<u>\$ 6,394,428</u>	<u>\$ 7,626,974</u>

On behalf of the Board:

 Director

 Director

## Health Partners International of Canada Statement of Changes in Net Assets

For the year ended September 30	2021	2020
Balance, beginning of the year	\$ 571,466	\$ 53,452
Excess of revenue over expenses for the year	<u>623,894</u>	<u>518,014</u>
Balance, end of the year	<u>\$ 1,195,360</u>	<u>\$ 571,466</u>

The accompanying notes are an integral part of these financial statements.

## Health Partners International of Canada Statement of Operations

For the year ended September 30	2021	2020
<b>Revenue</b>		
Contributions of materials	\$ 22,998,362	\$ 15,539,856
General donations	1,644,263	1,744,438
Contributions to medical programs	652,891	398,969
Government grants	209,925	14,677
Other revenue	11,565	4,933
	<u>25,517,006</u>	<u>17,702,873</u>
<b>Expenses</b>		
Inventory expense	23,004,436	15,549,666
Program expenditures	1,302,904	1,084,802
Philanthropy	241,625	197,828
Administration	153,602	182,951
Product planning expenses	134,996	82,819
Public affairs	55,549	86,793
	<u>24,893,112</u>	<u>17,184,859</u>
<b>Excess of revenue over expenses for the year</b>	<u>\$ 623,894</u>	<u>\$ 518,014</u>

The accompanying notes are an integral part of these financial statements.

## Health Partners International of Canada Statement of Cash Flows

For the year ended September 30	2021	2020
<b>Cash flows from operating activities</b>		
Excess of revenue over expenses for the year	\$ 623,894	\$ 518,014
Item not affecting cash:		
Amortization of capital assets	27,646	17,776
	651,540	535,790
Changes in non-cash working capital:		
Accounts receivable	(194,834)	19,588
Inventory	1,607,960	(1,845,700)
Prepaid expenses	(2,927)	3,464
Accounts payable and accrued liabilities	(13,677)	36,451
Deferred inventory contributions	(1,602,702)	1,841,605
Deferred revenue - Foundations and organizations	(244,252)	497,436
	201,108	1,088,634
<b>Cash flows from investing activity</b>		
Acquisition of property and equipment	(10,188)	-
<b>Cash flows from financing activities</b>		
Increase in government loan	20,000	40,000
Deferred contributions related to capital assets	(15,809)	(16,401)
	4,191	23,599
<b>Net increase in cash for the year</b>	195,111	1,112,233
Cash, beginning of the year	1,418,206	305,973
<b>Cash, end of the year</b>	\$ 1,613,317	\$ 1,418,206

The accompanying notes are an integral part of these financial statements.



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# Health Partners International of Canada

## Notes to Financial Statements

September 30, 2021

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### 1. Significant Accounting Policies

Incorporation and Purpose of Organization	The organization was incorporated as a non-profit organization in 1986 under Part II of the <i>Canada Corporations Act</i> and is a registered charity under the <i>Income Tax Act of Canada</i> . The organization requests and receives medical aid donations from Canada's pharmaceutical, vaccine and medical supply companies and responds to requests from Canadian medical professionals and aid agencies that provide health care in the developing world. It is also involved in sustainable development programs in the healthcare field in collaboration with ministries of health and partner non-governmental organizations in developing countries.
Basis of Accounting	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.
Revenue Recognition	<p>The organization follows the deferral method of accounting for contributions. Government grants and general donations are recognized as revenue in the year in which the related expenses are incurred.</p> <p>Contributions of materials are recognized as revenue in the year the contributed materials are distributed. They are measured at fair value, which represents the estimated wholesale price.</p> <p>Contributions to medical programs are recognized as revenue in the year received or receivable if the amount to be received can be reasonably assured.</p>
Inventory	Inventory represents donated materials not for sale and is donated for distribution outside Canada. Donated materials are valued at the lower of cost and replacement value. Cost is determined on the first-in, first-out basis.
Capital Assets and Amortization	Equipment and computer equipment is recorded at cost and is amortized over three years using the straight-line method. Leasehold improvements are amortized over the term of the lease.
Deferred Contributions Related to Capital Assets	Deferred contributions related to capital assets represent the unamortized balance of contributions restricted for capital expenditures. These contributions are amortized to revenue on the same basis as the capital assets to which they relate.
Income Taxes	The organization is a registered charitable organization and is exempt from income taxes.

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## Health Partners International of Canada

### Notes to Financial Statements

September 30, 2021

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#### 1. Significant Accounting Policies (continued)

Contributed Services	Volunteers contribute significant hours per year to assist the organization in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.
Financial Instruments	<p>Financial Instruments are recorded at fair value at initial recognition.</p> <p>In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.</p> <p>Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.</p>
Allocation of Expenses	The organization engages in different programs. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the program. The organization also incurs a number of general support expenses that are common to the administration of the organization and each of its programs. The organization allocates certain of its general support expenses by identifying the appropriate basis of allocating each component expense, and applies that basis consistently each year.
Use of Estimates	The preparation of financial statements in accordance with accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant items subject to estimates and assumptions include, but are not limited to, accruals and inventory obsolescence. Actual results could differ from management's best estimates as additional information becomes available in the future.

# Health Partners International of Canada

## Notes to Financial Statements

September 30, 2021

### 1. Significant Accounting Policies (continued)

#### Government Assistance

Government assistance credits are recorded in the year the related expenditures are incurred and when there is reasonable assurance as to their recovery. Government assistance received is credited to the related operating charges.

These credits must be examined by the tax authorities and it is possible that the amount granted will differ from the amounts recorded.

### 2. Accounts Receivable

	2021	2020
Accounts receivable	\$ 266,014	\$ 64,377
Sales taxes receivable	13,729	20,532
	<u>\$ 279,743</u>	<u>\$ 84,909</u>

### 3. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment	\$ 158,564	\$ 151,598	\$ 137,462	\$ 117,060
Computer equipment	31,128	27,426	25,096	17,372
	<u>189,692</u>	<u>179,024</u>	<u>162,558</u>	<u>134,432</u>
Net book value		<u>\$ 10,668</u>		<u>\$ 28,126</u>

Included in administrative expenses is amortization of \$27,646 (2020 - \$17,776).

## Health Partners International of Canada Notes to Financial Statements

September 30, 2021

### 4. Available Credit Facilities

The organization is authorized to borrow up to a maximum of \$250,000 (2020 - \$250,000) by way of revolving demand facility. The facility carries interest at the bank's prime rate plus 1% (2020 - prime rate plus 1%), is renegotiated annually and has no renewal date. The facility is secured by a first ranking hypothec on the universality of all present and future assets, corporal and incorporeal for an amount of \$400,000. The amount outstanding at September 30, 2021 was \$Nil (2020 - \$Nil).

### 5. Deferred Inventory Contributions

The deferred contributions represent gifts in kind received and receipted for tax purposes but not distributed. The changes in the deferred contributions balance are as follows:

	2021	2020
Balance, beginning of the year	\$ 6,057,289	\$ 4,215,684
Total inventory received during the year	24,021,540	19,154,024
Total inventory delivered during the year	(23,007,792)	(15,562,566)
Donated inventory adjustments during the year	(2,616,448)	(1,749,853)
Balance, end of the year	<u>\$ 4,454,589</u>	<u>\$ 6,057,289</u>

### 6. Deferred Revenue - Foundations and Organizations

The deferred revenue from foundations and organizations represent unspent resources for specific projects. During the year, the organization received an amount of \$763,400 (2020 - \$1,731,813) and recognized an income in the amount of \$1,017,651 (2020 - \$835,110). The following represents the balance of deferred revenues for the respective projects.

	2021	2020
Foundation fund	\$ 228,555	\$ 612,812
Emergencies	215,369	52,074
Shipment contributions	26,009	21,586
Health Care	25,098	31,407
Congo	24,556	23,335
ACK-Kenya	19,605	43,410
Community health worker	18,451	9,246
Minor projects	10,000	-
Stronger Together	7,342	25,367
	<u>\$ 574,985</u>	<u>\$ 819,237</u>

## Health Partners International of Canada

### Notes to Financial Statements

September 30, 2021

#### 7. Government Loan

	2021	2020
Loan, non-interest bearing, discretionary capital payments, payable in 2020 (a)	\$ 60,000	\$ 40,000

- (a) The COVID-19 outbreak has impacted the global economy and financial markets. The organization has taken steps to mitigate the impact of this crisis. In particular, it obtained a loan of \$60,000 guaranteed by the government of Canada under the Canada Emergency Business Account. The loan is interest free until December 31, 2022 and will be written off up to \$20,000 if repaid in full before that date. It will bear interest at the rate of 5% as of January 1, 2023 and the balance will be payable no later than December 31, 2025.

#### 8. Allocation of Expenses

Salaries and benefits expenses in the amount of \$1,069,473 (2020 - \$1,055,852), net of the emergency wage subsidy of \$217,105 (2020 - \$243,556), and rent charges in the amount of \$195,347 (2020 - \$194,334) have been allocated as follows:

	2021	2020
<b>Salaries and benefits</b>		
Program expenditures	\$ 401,537	\$ 449,660
Administration	304,898	299,857
Philanthropy	207,233	171,724
Product planning expenses	124,277	78,898
Public affairs	31,528	55,713
Emergency wage subsidy	(217,105)	(243,556)
	<u>\$ 852,368</u>	<u>\$ 812,296</u>
<b>Rent charges</b>		
Administration	\$ 49,090	\$ 45,489
Program expenditures	146,257	148,845
	<u>\$ 195,347</u>	<u>\$ 194,334</u>

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## Health Partners International of Canada

### Notes to Financial Statements

September 30, 2021

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#### 9. Commitments

The organization has lease commitments for the rental of premises terminating in January 2023 and May 2024. The minimum lease payments over the next three years are as follows:

2022	\$	185,842
2023		142,041
2024		<u>80,094</u>
	\$	<u>407,977</u>

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#### 10. Financial Instruments

##### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk with respect to cash. The organization mitigates the credit risk for cash by dealing only with large financial institutions with good credit ratings. The organization is also exposed to credit risk arising from its accounts receivable. Credit risk is the risk that the counterparty to the transaction will not pay. The organization works to ensure that the receivables meet all eligibility criteria in order to qualify to receive the funding. There have not been any changes in the risk from the prior year.

##### Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting its obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable. The organization manages this risk by monitoring working capital and cash flows needs. There have not been any changes in the risk from the prior year.

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