Financial Statements of

EQUITAS - INTERNATIONAL CENTRE FOR HUMAN RIGHTS EDUCATION

Year ended March 31, 2020

EQUITAS - INTERNATIONAL CENTRE FOR HUMAN RIGHTS EDUCATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Equitas - International Centre for Human Rights Education

Opinion

We have audited the financial statements of Equitas - International Centre for Human Rights Education (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, 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 **"*Auditors' Responsibilities for the Audit of the Financial Statements*"** section of our auditors' report.

We are independent of the Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP*

Montréal, Canada

June 17, 2020

*CPA auditor, CA, public accountancy permit No. A109021

EQUITAS - INTERNATIONAL CENTRE FOR HUMAN RIGHTS EDUCATION

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	$ 613,175	$ 668,041
Short-term deposits (note 2)	310,132	8,650
Accounts receivable (note 3)	458,249	471,965
Prepaid expenses	33,315	31,545
	1,414,871	1,180,201
Capital assets (note 4)	24,452	33,990
	$ 1,439,323	$ 1,214,191
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 145,722	$ 146,984
Deferred contributions (note 6)	955,486	768,800
	1,101,208	915,784
Net assets:		
Invested in capital assets	24,452	33,990
Restricted for endowment purposes (note 7)	8,650	8,650
Unrestricted net assets	305,013	255,767
	338,115	298,407
Commitments (note 11)		
Subsequent event (note 8)		
	$ 1,439,323	$ 1,214,191

See accompanying notes to financial statements.

On behalf of the Board:

_______________________ Director

_______________________ Director

EQUITAS - INTERNATIONAL CENTRE FOR HUMAN RIGHTS EDUCATION

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenues:		
Federal government:		
Contributions from Global Affairs Canada (note 8)	$ 3,304,338	$ 4,349,351
Other federal government sources	250,000	262,600
	3,554,338	4,611,951
Other governmental and private sources	1,118,576	1,368,618
	4,672,914	5,980,569
Tuition fees and contributions	332,455	281,203
Donations	171,453	150,480
Interest	3,150	92
	5,179,972	6,412,344
Expenses:		
Projects	4,423,188	5,715,578
Administrative and general expenses (including foreign exchange gain of $12,030 (2019 - $3,571))	703,330	663,303
Amortization of capital assets	13,746	15,394
	5,140,264	6,394,275
Excess of revenues over expenses	$ 39,708	$ 18,069

See accompanying notes to financial statements.

EQUITAS - INTERNATIONAL CENTRE FOR HUMAN RIGHTS EDUCATION

Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019

	Invested in capital assets	Restricted for endowment purposes	Unrestricted	Total
2020				
Balance, beginning of year	$ 33,990	$ 8,650	$ 255,767	$ 298,407
Excess of revenues over expenses	(13,746) [i]	–	53,454	39,708
Acquisition of capital assets	4,208	–	(4,208)	–
Balance, end of year	$ 24,452	$ 8,650	$ 305,013	$ 338,115

	Invested in capital assets	Restricted for endowment purposes	Unrestricted	Total
2019				
Balance, beginning of year	$ 43,524	$ 8,650	$ 228,164	$ 280,338
Excess of revenues over expenses	(15,394) [i]	–	33,463	18,069
Acquisition of capital assets	5,860	–	(5,860)	–
Balance, end of year	$ 33,990	$ 8,650	$ 255,767	$ 298,407

[i] Represents amortization of capital assets.

See accompanying notes to financial statements.

EQUITAS - INTERNATIONAL CENTRE FOR HUMAN RIGHTS EDUCATION

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

		2020		2019
Cash provided by (used in):				
Operating:				
Excess of revenues over expenses	$	39,708	$	18,069
Adjustments for:				
Deferred contributions from prior year recognized as revenues (note 6)		(768,800)		(996,084)
Amortization of capital assets		13,746		15,394
		(715,346)		(962,621)
Changes in non-cash working capital items (note 9)		10,684		248,387
Receipt of deferred contributions related to the following year (note 6)		955,486		768,800
		250,824		54,566
Investing:				
Increase in short-term deposits		(301,482)		–
Acquisition of capital assets		(4,208)		(5,860)
		(305,690)		(5,860)
Net (decrease) increase in cash		(54,866)		48,706
Cash, beginning of year		668,041		619,335
Cash, end of year	$	613,175	$	668,041

See accompanying notes to financial statements.

Equitas - International Centre for Human Rights Education ("Equitas") is incorporated by letters of patent under Part II of the *Canada Corporations Act*. On March 12, 2015, Equitas obtained its articles of continuance under Section 211 of the *Not-For-Profit Corporations Act*. It is a charitable organization and therefore is not subject to income taxes. Its objectives are to provide education and conferences on human rights.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook - Accounting*, and include the following significant accounting policies:

(a) Revenue recognition:

Equitas follows the deferral method of accounting for contributions, which include donations and grants. Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Unrestricted contributions are recognized as revenue when received or as receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in endowment net assets.

Revenue related to courses is recognized when the services are provided.

Unrestricted investment income is recognized as revenue when earned.

(b) Capital assets:

Purchased capital assets are stated at cost less accumulated amortization.

Amortization of capital assets is provided using the rates and methods indicated over their estimated useful life as follows:

Asset	Method	Rate
Computer equipment	Straight-line	30%
Office equipment	Diminishing balance	20%

1. Significant accounting policies (continued):

(b) Capital assets (continued):

Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. When a capital asset no longer contributes to Equitas' ability to provide services, its carrying amount is written down to its residual value.

(c) Contributed services:

Volunteers contribute many hours each year to assist Equitas in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(d) Foreign exchange:

Monetary asset and liability items denominated in foreign currency are translated at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the rate of exchange in effect on the date they occur. Gains or losses from these translations are reflected in the statement of operations.

(e) 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. Equitas 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, Equitas 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 Equitas 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.

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of the 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. Actual results could differ from those estimates.

2. Short-term deposits:

	2020	2019
Bearing interest at 0.60%, maturing in July 2020	$ 301,482	$ –
Bearing interest at 1.45%, maturing in May 2020	8,650	8,650
	$ 310,132	$ 8,650

3. Accounts receivable:

	2020	2019
Advances to partners	$ 206,724	$ 174,980
Grants receivable	179,210	208,768
Sales and other taxes receivable	51,265	52,589
Sponsorship receivable	14,654	31,000
Advances to employees	6,396	4,628
	$ 458,249	$ 471,965

4. Capital assets:

	Cost	Accumulated amortization	Net book value
			2020
Computer equipment	$ 154,854	$ 148,867	$ 5,987
Office equipment	87,777	69,312	18,465
	$ 242,631	$ 218,179	$ 24,452

	Cost	Accumulated amortization	Net book value
			2019
Computer equipment	$ 152,295	$ 139,737	$ 12,558
Office equipment	86,128	64,696	21,432
	$ 238,423	$ 204,433	$ 33,990

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $4,670 (2019 - $779), which include payroll-related taxes.

6. Deferred contributions:

Deferred contributions represent unspent resources externally restricted for future expenses related to uncompleted projects at year end. Changes in the deferred contributions balance are as follows:

	2020	2019
Balance, beginning of year	$ 768,800	$ 996,084
Amount recognized as revenue	(768,800)	(996,084)
Amount received related to the following year	955,486	768,800
Balance, end of year	$ 955,486	$ 768,800

7. Endowments:

The externally restricted endowments must be kept permanently by Equitas; however, the revenue relating to the endowments is not restricted and is therefore accounted for in the statement of operations.

8. Contributions from Global Affairs Canada ("GAC"):

To finance a part of its international education program, Equitas benefits from a contribution agreement with GAC starting December 2013, for a total of $8,900,000. This contribution was to implement the initiative to strength human rights education in multiple countries with a focus on Senegal, Tanzania, Haiti and Colombia. An amount of $178,000 was collected during the year which brings the total amount collected to $8,900,000. This project was completed during the 2020 fiscal year.

On March 24, 2016, Equitas and GAC signed an amendment to the original agreement increasing the grant amount by $4,800,000. The purpose of this additional contribution was to implement the initiative to prevent Torture in La Francophonie in collaboration with International Bridges to Justice ("IBJ") with a focus on countries such as Burkina Faso, Cameroun, Democratic Republic of Congo, Burundi and Rwanda. An amount of $96,000 was collected during the year which brings the total amount collected to $4,800,000. On June 1, 2016, Equitas and IBJ signed an agreement whereby Equitas is responsible for managing the contribution agreement with GAC and Equitas and IBJ are mutually and jointly responsible for the delivery of expected results of the initiative to prevent Torture in La Francophonie. From the total amount of $4,800,000, Equitas and IBJ are each eligible to receive an amount not exceeding $2,400,000 for the completion of the activities they will lead. As Equitas is the signatory of the contribution agreement with GAC, Equitas is therefore accountable to GAC. Expenses amounting to $256,899 (2019 - $844,163) were received from IBJ for the initiative to prevent Torture in La Francophonie was completed during the 2020 fiscal year.

On July 21, 2017, Equitas and GAC signed a funding agreement for a grant amounting to $2,841,864 and ending on November 30, 2020. The purpose of this contribution is to implement a program to empower youth, women and marginalized groups, in particular persons living with disabilities, to engage in democratic processes and enjoy and exercise their human rights through the use of technology in Jordan, Tunisia, Egypt and Morocco. An amount of $747,328 (2019 - $680,233) was collected during the year of which a balance of $96,517 (2019 - nil) is included in deferred contributions as at March 31, 2020. From the total of $2,841,864 an amount totaling $2,232,509 has been received since the beginning of the contribution agreement.

8. Contributions from Global Affairs Canada ("GAC") (continued):

On April 18, 2019, Equitas and GAC signed a funding agreement for a grant amounting to $17,680,395 and ending on March 31, 2024. The purpose of the contribution is to implement a program that will contribute to increase empowerment of women and girls, by providing them with the knowledge, skills and effective tools to take leadership and advance gender equality in their communities through five countries: Senegal, Burkina Faso, Tanzania, Kenya and Haiti. An amount of $2,324,193 was collected during the year of which a balance of nil is included in deferred contributions as at March 31, 2020. From the total of $17,680,395, an amount totaling $2,324,193 has been received since the beginning of the contribution agreement. An amount of $66,070 is included in the grants receivable balance as at March 31, 2020.

Subsequent to year end, on May 27, 2020, Equitas and GAC signed a funding agreement for a grant amounting to $16,713,287 and ending on May 31, 2027. The purpose of the contribution is to implement a program to empower LGBTQ2I persons around the world by providing capacity building support to Canadian civil society organizations and funding to support the implementation of projects in other countries. Equitas will be responsible for managing the contribution agreement between GAC and Equitas and managing sub-agreements with other Canadian organizations.

9. Statement of cash flows:

	2020	2019
Changes in non-cash working capital items:		
Accounts receivable	$ 13,716	$ 189,882
Prepaid expenses	(1,770)	(7,926)
Accounts payable and accrued liabilities	(1,262)	66,431
	$ 10,684	$ 248,387

10. Financial risks and concentration of credit risk:

(a) Liquidity risk:

Liquidity risk is the risk that Equitas will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Equitas manages its liquidity risk by monitoring its operating requirements. Equitas prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. A portion of Equitas' revenues is derived from a contribution agreement with GAC over five years. The contribution from GAC represents 64% of revenues in 2020 (2019 - 68% of revenues). The loss of revenues from GAC would have a significant impact on Equitas' operations. This contribution is related to an agreement with a federal governmental organization until March 2024. A new agreement was signed May 27, 2020 with the same federal government organization until May 2027.

Equitas defines its capital as the amounts included in its net asset balances. Except for the endowments, Equitas' capital is not subject to external restrictions.

Equitas' objective when managing its capital is to safeguard its ability to continue as a going concern so it can continue to provide the appropriate level of benefits and services.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. Equitas is exposed to credit risk with respect to the accounts receivable. Equitas assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. There has been no change to the risk exposure from 2019.

(c) Currency risk:

Equitas is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, Equitas receives grants in US dollars and euros and incurs expenses in US dollars. Equitas does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from 2019.

(d) Interest rate risk:

Equitas is exposed to interest rate risk on its fixed interest rate financial instruments. Consequently, a change in the market interest rate would have an impact on the fair value of the investments. There has been no change to the risk exposure from 2019.

11. Commitments:

Equitas' commitments, under long-term operating leases for premises and office equipment, amount to $818,016. The annual rental payments for the next six years are as follows:

2021	$ 148,470
2022	152,326
2023	156,182
2024	159,273
2025	160,834
2026	40,931

12. COVID-19 outbreak:

The COVID-19 outbreak was declared a pandemic by the World Health Organization during the month of March 2020. This has resulted in governments worldwide, including the Canadian and provincial governments, enacting emergency measures to combat the spread of the virus. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; however, the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on Equitas' operating results and financial position in the future. The situation is dynamic, and the ultimate duration and magnitude of the impact on the economy and the financial effect on Equitas' business are not known at this time.