

**FINANCIAL STATEMENTS**  
**For**  
**ACTION CANADA FOR SEXUAL HEALTH & RIGHTS**  
**For year ended**  
**JUNE 30, 2023**

**INDEPENDENT AUDITOR'S REPORT**

To the directors of

**ACTION CANADA FOR SEXUAL HEALTH & RIGHTS***Qualified Opinion*

We have audited the financial statements of Action Canada for Sexual Health & Rights (the Organization), which comprise the statement of financial position as at June 30, 2023, and 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, except for the possible 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 June 30, 2023 and the results of its operations 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 fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, 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 donation revenue, net revenue, and cash flows from operations for the years ended June 30, 2023 and 2022, current assets as at June 30, 2023 and 2022, and net assets as at July 1 and June 30 for both the 2023 and 2022 fiscal years. Our audit opinion on the financial statements for the year ended June 30, 2022 was modified accordingly because of the possible effect of this scope limitation.

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 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 qualified audit opinion.

*Emphasis of Matter - Amended Financial Statements*

We draw attention to Note 10 to the financial statements, which describes that the financial statements that we originally reported on November 10, 2023 have been amended and describes the matter that gave rise to the amendment of the financial statements. Our opinion is not modified in respect of this matter.

*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.

## *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.

Welch LLP

Chartered Professional Accountants  
Licensed Public Accountants

Ottawa, Ontario  
November 10, 2023, except as to Note 10, which is as of January 26, 2024.

**ACTION CANADA FOR SEXUAL HEALTH & RIGHTS**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2023**

|  | <u>2023</u>                | <u>2022</u>                |
|--|----------------------------|----------------------------|
| <b><u>ASSETS</u></b>                       |                            |                            |
| <b>CURRENT ASSETS</b>                      |                            |                            |
| Cash                                       | \$ 3,924,066               | \$ 2,144,061               |
| Short-term investments (note 4)            | 441,079                    | 312,966                    |
| Accounts receivable                        | 67,068                     | 83,637                     |
| Advances to partner organizations (note 8) | 235,102                    | 434,348                    |
| Prepaid expense                            | <u>50,308</u>              | <u>40,578</u>              |
|  | <b><u>\$ 4,717,623</u></b> | <b><u>\$ 3,015,590</u></b> |
| <b><u>LIABILITIES AND NET ASSETS</u></b>   |                            |                            |
| <b>CURRENT LIABILITIES</b>                 |                            |                            |
| Accounts payable and accrued liabilities   | \$ 218,879                 | \$ 161,533                 |
| Deferred contributions (note 6)            | <u>2,871,244</u>           | <u>1,740,542</u>           |
|  | <b><u>3,090,123</u></b>    | <b><u>1,902,075</u></b>    |
| <b>NET ASSETS</b>                          |                            |                            |
| Internally restricted for contingencies    | 500,000                    | 500,000                    |
| Unrestricted                               | <u>1,127,500</u>           | <u>613,515</u>             |
|  | <b><u>1,627,500</u></b>    | <b><u>1,113,515</u></b>    |
|  | <b><u>\$ 4,717,623</u></b> | <b><u>\$ 3,015,590</u></b> |

Approved by the Board:



..... Director



..... Director

(See accompanying notes)

**ACTION CANADA FOR SEXUAL HEALTH & RIGHTS**

**STATEMENT OF CHANGES IN NET ASSETS**

**YEAR ENDED JUNE 30, 2023**

|                            | Internally<br>restricted<br>for<br><u>contingencies</u> | <u>Unrestricted</u> | <u>2023<br/>Total</u> | <u>2022<br/>Total</u> |
|----------------------------|---|---------------------|-----------------------|-----------------------|
| Balance, beginning of year | \$ 500,000  | \$ 613,515          | \$ 1,113,515          | \$ 780,101            |
| Net revenue for the year   | <u>-</u>  | <u>513,985</u>      | <u>513,985</u>        | <u>333,414</u>        |
| Balance, end of year       | <u>\$ 500,000</u>                                       | <u>\$ 1,127,500</u> | <u>\$ 1,627,500</u>   | <u>\$ 1,113,515</u>   |

(See accompanying notes)

**ACTION CANADA FOR SEXUAL HEALTH AND RIGHTS**

**STATEMENT OF OPERATIONS**

**YEAR ENDED JUNE 30, 2023**

|                                | GENERAL                | RESTRICTED GRANTS      | TOTAL                  |
|--------------------------------|------------------------|------------------------|------------------------|
| <b>REVENUE</b>                 |                        |                        |                        |
| Donations (note 6)             | \$ 347,095.00          | \$ -                   | \$ 347,095.00          |
| Received from other charities  | \$ 113,343.00          | \$ -                   | \$ 113,343.00          |
| Restricted Grants (note 6)     | \$ 769,148.00          | \$ 6,478,799.00        | \$ 7,247,947.00        |
| Unrestricted Grants (note 6)   | \$ 332,977.00          | \$ -                   | \$ 332,977.00          |
| Other Income                   | \$ 10,682.00           | \$ -                   | \$ 10,682.00           |
|                                | <b>\$ 1,573,245.00</b> | <b>\$ 6,478,799.00</b> | <b>\$ 8,052,044.00</b> |
| <b>EXPENDITURES</b>            |                        |                        |                        |
| Administrative Expenses        | \$ 90,211.00           | \$ 294,003.00          | \$ 384,214.00          |
| Fundraising Expenses           | \$ 112,267.00          | \$ 340.00              | \$ 112,607.00          |
| Programs Activities            | \$ 755,538.00          | \$ 1,223,260.00        | \$ 1,978,798.00        |
| Salary and Benefits            | \$ 97,194.00           | \$ 2,880,304.00        | \$ 2,977,498.00        |
| Awards and Scholarship         | \$ 4,050.00            | \$ -                   | \$ 4,050.00            |
| Partners Expenditure- GAC only | \$ -                   | \$ 2,080,892.00        | \$ 2,080,892.00        |
|                                | <b>\$ 1,059,260.00</b> | <b>\$ 6,478,799.00</b> | <b>\$ 7,538,059.00</b> |
| <b>SURPLUS (DEFICIT)</b>       | <b>\$ 513,985.00</b>   | <b>\$ -</b>            | <b>\$ 513,985.00</b>   |

**ACTION CANADA FOR SEXUAL HEALTH & RIGHTS**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2023**

|  | <u>2023</u>         | <u>2022</u>         |
|--|---------------------|---------------------|
| <b>CASH PROVIDED BY (USED IN):</b>         |                     |                     |
| <b>OPERATING ACTIVITIES</b>                |                     |                     |
| Net revenue                                | \$ 513,985          | \$ 333,414          |
| Adjustment for:                            |                     |                     |
| Donated investments                        | (39,012)            | -                   |
| Investment interest                        | <u>(3,161)</u>      | <u>-</u>            |
|  | 471,812             | 333,414             |
| Changes in non-cash working capital items: |                     |                     |
| Accounts receivable                        | 16,569              | (3,994)             |
| Prepaid expenses                           | (9,730)             | 114,366             |
| Advances to partner organizations          | 199,246             | (112,859)           |
| Accounts payable and accrued liability     | 57,346              | 3,384               |
| Deferred contributions                     | <u>1,130,702</u>    | <u>(1,319,822)</u>  |
|  | <u>1,865,945</u>    | <u>(985,511)</u>    |
| <b>INVESTING ACTIVITIES</b>                |                     |                     |
| Proceeds from sale of investments          | 314,060             | 75,033              |
| Purchase of investments                    | <u>(400,000)</u>    | <u>(1,571)</u>      |
|  | <u>(85,940)</u>     | <u>73,462</u>       |
| <b>INCREASE (DECREASE) IN CASH</b>         | 1,780,005           | (912,049)           |
| <b>CASH AT BEGINNING OF YEAR</b>           | <u>2,144,061</u>    | <u>3,056,110</u>    |
| <b>CASH AT END OF YEAR</b>                 | <u>\$ 3,924,066</u> | <u>\$ 2,144,061</u> |

(See accompanying notes)

# ACTION CANADA FOR SEXUAL HEALTH & RIGHTS

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

### 1. NATURE OF OPERATIONS

Action Canada for Sexual Health & Rights was incorporated without share capital under the Canada Not-for-profit Corporation Act on November 1, 2014. The Organization is a progressive, pro-choice charitable organization committed to advancing and upholding sexual and reproductive health and rights in Canada and globally.

The Organization is a registered Canadian charity and as such is not subject to income taxes.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

#### *Revenue recognition*

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, amounts received from other charities, grants, scholarship and awards, and other income are recognized as revenue when they are received or receivable if the amount receivable can be reasonably estimated and its collection is reasonably assured.

#### *Contributed services*

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

#### *Use of estimates*

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

Management makes accounting estimates when determining the net realizable value of its accounts receivable and in determining certain accrued liabilities. Actual results could differ from these estimates.

#### *Financial instruments*

The Organization's cash is initially recognized and subsequently measured at fair value. All other financial instruments are initially recognized at fair value and are subsequently measured at cost, or amortized cost at the date of the statement of financial position.



**ACTION CANADA FOR SEXUAL HEALTH & RIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED JUNE 30, 2023**

**2 SIGNIFICANT ACCOUNTING POLICIES - Cont'd.**

*Foreign currency translation*

Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in effect at the statement of financial position date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenues and expenses denominated in foreign currency are translated at the rate in effect on the transaction date. Realized gains and losses are included in other income for the year.

*Grants and contributions*

The Organization receives significant portions of its funding through various grants and contribution agreements from multiple funding sources. These grants and contributions can be subject to meeting certain specific requirements outlined within the agreements and subject to separate audits undertaken by the funders directly. Adjustments, if any, arising from such circumstances are recorded in the year that they are made by the funder.

**3. FINANCIAL INSTRUMENTS**

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations.

There have been no significant changes in the Organization's risk exposures from the prior year.

*Credit risk*

Credit risk is the risk that parties will cause financial loss by failing to discharge their obligations. The Organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Organization's cash, short-term investments, accounts receivable, and advances to partner organizations give rise to credit risk. The Organization's cash and short-term investments are held with a Canadian chartered bank and as a result, management believes the risk of loss on these items to be unlikely.

A significant portion of the Organization's accounts receivable are from government sources, and the Organization's advances to partner organizations represent funds to be ultimately spent by these organizations in accordance with the terms and conditions of subagreements with these partners. As such, the Organization's management believes the credit risk with respect to accounts receivable and advances to partner organizations is limited and the Organization has not provided for uncollectible amounts.

*Liquidity risk*

Liquidity risk is the risk that the Organization is unable to meet financial obligations as they become due by not being able to liquidate assets in a timely manner. The Organization manages this risk by establishing budgets and cash estimates to ensure it has funds available to fulfil its obligations.

**ACTION CANADA FOR SEXUAL HEALTH & RIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED JUNE 30, 2023**

**3. FINANCIAL INSTRUMENTS - Cont'd.**

*Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk. The Organization is not subject to market risk.

i) *Currency risk*

Currency risk is the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The Organization is exposed to currency risk by virtue of the fact that it transacts in currencies other than the Canadian dollar and holds amounts in foreign currencies. This exposure is limited to the extent that these currencies fluctuate between the dates that transactions are made and settlement occurs and also to the extent of amounts held in foreign currencies.

ii) *Interest rate risk*

Interest rate risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The Organization's investments are short term in nature and are generally renewed regularly to ensure they reflect prevailing market rates. This does not carry any interest-bearing debt financial instruments. As such the Organization is not exposed to significant interest rate risk.

iii) *Other price risk*

Other price risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of the changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar instruments traded in the market. As the Organization does not have financial instruments that are quoted in an active market, management does not believe the Organization is exposed to significant other price risk.

**4. INVESTMENTS**

Investments consist of cashable guaranteed investment certificates with interest rates ranging from 4.1% to 5.15%, and mature in January 2024 and January 2025.

**5. PENSION PLAN**

The Organization contributes to a defined contribution pension plan in the form of a contribution of a percentage of its employees' wages to an RRSP on behalf of the employees. During the current fiscal year, the employer contributions amounted to \$90,073 (2022 - \$57,473).

**ACTION CANADA FOR SEXUAL HEALTH & RIGHTS**

**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED JUNE 30, 2023**

**6. DEFERRED CONTRIBUTIONS**

Deferred contributions relate to restricted operating funding received in the current period pertaining to activities, projects, and therefore expenses to be incurred in the subsequent year.

Deferred contributions consist of unearned grants and donations revenue, arising from internally and externally restricted funding received from government and government agencies as well as from other funders, partners and suppliers that are related to expenditures to be incurred in subsequent years.

**7. ALLOCATION OF EXPENSES**

The Organization engages in various projects. The costs of each project include expenses directly related to the project. The Organization also incurs a number of general and administrative support expenses that are common to the administration of the organization and of its projects.

The Organization has a relatively small complement of staff, some of whom support more than one of the projects. In order to ensure that each project bears its share of the cost of delivering the project, the costs of the administrative staff that provide service to more than one project are allocated to each of those areas in an amount that is proportional to the services provided. Similarly, certain common overhead expenses such as rent are proportionally allocated to the projects where allowable under the contribution agreements.

**8. ADVANCES TO PARTNER ORGANIZATIONS**

In carrying out certain projects (outlined in Note 6), the Organization enters into subagreements with international partner organizations. Advances to partner organizations represents funds sent to such organizations for which eligible project expenses have not yet been incurred. The Organization reconciles on an ongoing basis its advances to each partner organization against their eligible project expenditures incurred and requires that any unspent funds at the end of the agreement be returned to the Organization.

**9. COMMITMENTS**

The Organization has a lease commitment for office space in Geneva, Switzerland which expires January 2024. Annual lease payments including operating costs are approximately 35,100 CHF (Switzerland Franc) or approximately \$51,888 based on exchange rates in effect as of the fiscal year end dates.

The Organization also has a lease commitment for office space in Ottawa, Canada for the period of December 2019 to February 2025. Minimum annual lease payments are approximately \$52,000 for the first three years and \$56,000 for remainder of the lease. The Organization is subject to maintenance, operating costs, and realty tax apportionments in addition to the base rent payments.

**ACTION CANADA FOR SEXUAL HEALTH & RIGHTS**  
**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.**  
**YEAR ENDED JUNE 30, 2023**

**10. RESTATEMENT OF RESTRICTED GRANTS REVENUE AND PROGRAM ACTIVITIES EXPENSES**

After the release of the financial statements on November 10, 2023, management became aware that the restricted grants revenue and program activities expenses as previously reported for the General Fund on the Statement of Operations were incorrect. Specifically, the amounts received from Indigenous Services Canada ("ISC") for the fiscal year totaled \$664,245, but was originally reported as \$245,990 and as such was understated by \$418,255. As these funds were also ultimately provided to the Native Youth Sexual Health Network in accordance with the agreement, the corresponding program activities expenses of this fund were also understated by the same amount and as such there was no impact on the overall net revenues, assets, liabilities or net assets as previously reported for the Organization for the year. The related disclosure in Note 6 has also been updated to disclose the corrected amounts as noted above.