MISSION OF MERCY (CANADA)

Financial Statements

Year Ended December 31, 2019

Faber LLP

#200, 17510 – 107 Avenue
Edmonton, AB T5S 1E9

P 780-432-5262
F 780-436-0115

E info@faberllp.com
W faberllp.com

Chartered Professional
Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of Mission of Mercy (Canada)

Qualified Opinion

We have audited the financial statements of Mission of Mercy (Canada) (the Organization), which comprise the statement of financial position as at December 31, 2019, and the statements of revenues and expenditures, 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 December 31, 2019, 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 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit 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 relating 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.

(continues)

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.

Faber LLP

Edmonton, Alberta
July 13, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS

MISSION OF MERCY (CANADA)
Statement of Financial Position
December 31, 2019

		2019		2018
ASSETS				
CURRENT				
Cash	**$**	**622,000**	$	824,161
Goods and services tax recoverable		**2,179**		6,545
Prepaid expenses		**1,466**		2,549
Restricted cash *(Note 3)*		**370,096**		471,182
		995,741		1,304,437
PROPERTY AND EQUIPMENT *(Note 4)*		**1,440**		2,113
	$	**997,181**	$	1,306,550
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	**$**	**14,599**	$	15,189
Employee deductions payable		**2,906**		-
Deferred contributions *(Note 3)*		**370,096**		471,182
		387,601		486,371
LEASE COMMITMENTS *(Note 5)*				
NET ASSETS				
INVESTED IN PROPERTY AND EQUIPMENT		**1,440**		2,113
UNRESTRICTED		**608,140**		818,066
		609,580		820,179
	$	**997,181**	$	1,306,550

ON BEHALF OF THE BOARD

______________________________ *Director*

______________________________ *Director*

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

MISSION OF MERCY (CANADA)
Statement of Revenues and Expenditures
Year Ended December 31, 2019

		2019		2018
REVENUE				
Child sponsorship	**$**	**352,267**	$	390,539
General contributions		**715,638**		787,075
Investment income		**8,462**		8,364
		1,076,367		1,185,978
MISSIONS DISBURSEMENT				
Donations to India		**1,040,104**		1,067,857
EXCESS OF REVENUES OVER MISSIONS DISBURSEMENT		**36,263**		118,121
EXPENSES				
Amortization		**506**		767
Fundraising		**2,566**		1,485
Insurance		**2,511**		2,467
Interest and bank charges		**6,208**		6,988
Memberships		**1,079**		663
Office		**27,947**		23,349
Postage and courier		**7,511**		9,148
Professional fees		**27,835**		27,200
Rental		**24,705**		24,360
Salaries and wages		**134,920**		135,264
Telephone		**2,473**		2,671
Travel		**5,585**		5,683
Utilities		**2,849**		3,067
		246,695		243,112
DEFICIENCY OF REVENUE OVER EXPENSES FROM OPERATIONS		**(210,432)**		(124,991)
OTHER EXPENSES				
Loss on disposal of property and equipment		**(167)**		-
DEFICIENCY OF REVENUE OVER EXPENSES	**$**	**(210,599)**	$	(124,991)

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

	Invested in Property and Equipment	Internally Restricted	Unrestricted	**2019**	2018
NET ASSETS - BEGINNING OF YEAR	$ 2,113	$ -	$ 818,066	**$ 820,179**	$ 945,170
Deficiency of revenues over expenses	(673)	-	(209,926)	**(210,599)**	(124,991)
NET ASSETS - END OF YEAR	$ 1,440	$ -	$ 608,140	**$ 609,580**	$ 820,179

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

	2019	2018
OPERATING ACTIVITIES		
Cash receipts from donors	**$ 966,819**	$ 1,133,742
Cash paid to suppliers and employees	**(232,216)**	(235,496)
Interest received	**8,462**	8,364
Bank charges	**(6,208)**	(6,988)
Donations to India	**(1,040,104)**	(1,067,857)
DECREASE IN CASH FLOW	**(303,247)**	(168,235)
Cash - beginning of year	**1,295,343**	1,463,578
CASH - END OF YEAR	**$ 992,096**	$ 1,295,343
CASH CONSISTS OF:		
Cash	**$ 622,000**	$ 824,161
Restricted cash	**370,096**	471,182
	$ 992,096	$ 1,295,343

	2019	2018
CASH RECEIPTS FROM DONORS		
Revenue	**$ 1,076,367**	$ 1,185,978
Investment income	**(8,462)**	(8,364)
Change in current portion of deferred income	**(101,086)**	(43,872)
	$ 966,819	$ 1,133,742
CASH PAID TO SUPPLIERS AND EMPLOYEES		
Missions disbursement	**$ 1,040,104**	$ 1,067,857
Expenses from operations	**246,695**	243,112
Remove amortization of property and equipment	**(506)**	(767)
Remove interest expense	**(6,208)**	(6,987)
Change in prepaid expenses	**(1,083)**	1,148
Goods and services tax recoverable	**(4,366)**	(82)
Change in payables (net of interest payable)	**(2,316)**	(928)
Donations to India	**(1,040,104)**	(1,067,857)
	$ 232,216	$ 235,496

1. PURPOSE OF THE ORGANIZATION

Mission of Mercy (Canada) (the "organization") is a not-for-profit organization incorporated provincially under the Religious Societies' Land Act of Alberta. As a registered charity the organization is exempt from the payment of income tax under Section 149(1)(f) of the Income Tax Act.

The purpose of the organization is to help meet the physical and spiritual needs of the hurting children and adults of north and east India by feeding, housing, educating and providing medical aid.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

Cash

Cash includes cash on deposit at Canadian financial institutions.

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life at the following rates and methods:

Computer equipment	30%	declining balance method
Equipment	20%	declining balance method
Furniture and fixtures	20%	declining balance method

The organization regularly reviews its property and equipment to eliminate obsolete items. Government grants are treated as a reduction of property and equipment cost.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Leases

Leases are classified as either capital or operating leases. At the time the organization enters into a capital lease, an asset is recorded with its related long-term obligation to reflect the acquisition and financing. Rental payments under operating leases are expensed as incurred.

Revenue recognition

Mission of Mercy (Canada) 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 are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed services

Volunteers contribute a substantial number of hours every year to assist Mission of Mercy (Canada) in carrying out its service delivery activities. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. RESTRICTED CASH / DEFERRED CONTRIBUTIONS

Restricted cash/deferred contributions consist of funds received for various projects to be developed in India. Ghaghra School consists of advances received for children in India less amounts paid by Mission of Mercy (Canada). The project funds listed below all received restricted funds as indicated below, which have not yet been spent.

	2019	2018
Banpur	**$ -**	$ 6,291
Biosand	**40,833**	17,245
Children Rescue Fund	**12,105**	58,883
Deepika	**8,400**	25,009
Feeding	**34,368**	-
Ghaghra School	**1,201**	91,606
Halls AG East	**6,702**	-
Hilt	**-**	18,554
Mercy Center Operations	**15,891**	-
Mercy Chapel Construction	**219,443**	-
Newtown	**-**	242,806
Pioneer Workers Feeding	**-**	3,751
Sustainablity/Empowering Women	**12,105**	6,295
Wells	**19,048**	742
	$ 370,096	$ 471,182

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	**2019 Net book value**	2018 Net book value
Computer equipment	$ 4,677	$ 3,859	**$ 818**	$ 1,336
Equipment	5,500	5,228	**272**	340
Furniture and fixtures	11,825	11,475	**350**	437
	$ 22,002	$ 20,562	**$ 1,440**	$ 2,113

5. LEASE COMMITMENTS

The organization has a building lease agreement for the period from July 1, 2018 to June 30, 2021 at a gross rental rate of $1,950 per month plus applicable taxes. The terms provide that the organization pay for 50% of shared utilities. Renewal for a further period will be renegotiated six months prior to the end of the new term. Future minimum lease payments including applicable taxes as at December 31, 2019, are as follows:

2020	$ 24,570
2021	12,285
	$ 36,855

6. FINANCIAL INSTRUMENTS

The organization utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest rate, market, currency, liquidity, or credit risks arising from these financial instruments, and the carrying amounts approximate fair value.

7. ADDITIONAL INFORMATION TO COMPLY WITH THE DISCLOSURE REQUIREMENT OF THE ALBERTA CHARITABLE FUND-RAISING ACT AND REGULATIONS

Gross charitable contributions on a cash basis received during the year were $966,819. Gross contributions received were disbursed as follows:

	2019	2018
Mission Disbursement - cash basis		
Administrative expenses	**$ 30,918**	$ 18,804
Child sponsorship	**109,156**	119,083
Deepika Social Welfare Society	**35,674**	25,099
General program funding	**864,356**	904,871
	1,040,104	1,067,857
Other - cash basis		
General operating expenses	**232,216**	235,496
Total amounts distributed	**$ 1,272,320**	$ 1,303,353

During the year, gross contributions received on a cash basis less amounts spent resulted in a net deficit of $305,501 ($966,819 less $1,272,320).

There was one contribution of $80,000 received which exceeded 5% of the gross contributions received during the year. The donor designated the full amount to Fellowship Halls.

All expenses incurred, directly and indirectly, for the purpose of soliciting contributions were $52,524. Included in this amount was $42,500 paid as remuneration to employees whose principal duties involved fund-raising.

8. SUBSEQUENT EVENT

The following event occurred subsequent to the organization's year end:

In March 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a global pandemic which continues to spread in Canada and around the world.

Management is closely monitoring the situation. The organization relies primarily on domestic donations and contributions although there is uncertainty about the length and potential impact of a various restrictions in place, the organization believes the ongoing effects on the organization's operations may be temporary. The overall effects of this event on the organization and it's ongoing operations is uncertain and cannot be estimated at this time.

9. CAPITAL DISCLOSURES

Unchanged from prior years, the organization's objectives when managing capital are:

- To safeguard the organization's ability to continue to help meet the physical and spiritual needs of the hurting children and adults of north and east India by feeding, housing, educating and providing medical aid.

The organization manages capital on the basis of annual budgets prepared and cash flow available for operations and capital requirements. There is no debt related to capital projects, nor are there externally imposed capital requirements.