

**MISSION OF MERCY (CANADA)**  
**Financial Statements**  
**Year Ended December 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of Mission of Mercy (Canada):

We have audited the accompanying financial statements of Mission of Mercy (Canada), which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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Basis for Qualified Opinion

In common with many charitable organizations, the organization derives part of its 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 and we were not able to determine whether any adjustments might be necessary to contributions, deficiency of revenues over expenses, current assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Mission of Mercy (Canada) as at December 31, 2017, and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Edmonton, Alberta  
April 18, 2018

*Faber LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS



## MISSION OF MERCY (CANADA)

## Statement of Financial Position

December 31, 2017

	2017	2016
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 948,524	\$ 702,095
Employee deductions receivable	236	-
Goods and services tax recoverable	6,626	4,571
Prepaid expenses	1,401	1,312
Restricted cash (Note 3)	515,054	239,553
	<b>1,471,841</b>	<b>947,531</b>
PROPERTY AND EQUIPMENT (Note 4)	2,881	2,833
	<b>\$ 1,474,722</b>	<b>\$ 950,364</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 14,498	\$ 11,688
Employee deductions payable	-	2,736
Deferred contributions (Note 3)	515,054	239,553
	<b>529,552</b>	<b>253,977</b>
LEASE COMMITMENTS (Note 5)		
<b>NET ASSETS</b>		
INVESTED IN PROPERTY AND EQUIPMENT	2,881	2,833
UNRESTRICTED	942,289	693,554
	<b>945,170</b>	<b>696,387</b>
	<b>\$ 1,474,722</b>	<b>\$ 950,364</b>

ON BEHALF OF THE BOARD


 \_\_\_\_\_ Director


 \_\_\_\_\_ Director

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

**MISSION OF MERCY (CANADA)****Statement of Operations****Year Ended December 31, 2017**

	2017	2016
<b>REVENUES</b>		
Child sponsorship	\$ 381,005	\$ 427,950
General contributions	547,141	988,338
Investment income	4,729	5,788
	<b>932,875</b>	<b>1,422,076</b>
<b>MISSIONS DISBURSEMENT</b>		
Donations to India	444,766	1,129,225
<b>EXCESS OF REVENUES OVER MISSIONS DISBURSEMENT</b>	<b>488,109</b>	<b>292,851</b>
<b>EXPENSES</b>		
Advertising and promotion	17	440
Amortization	866	901
Fundraising	1,974	15,410
Insurance	2,370	2,246
Interest and bank charges	6,299	6,520
Memberships	880	935
Office	26,120	24,313
Postage and courier	8,749	10,883
Professional fees	27,000	26,100
Rental	24,420	24,480
Salaries and benefits	133,353	134,186
Telephone	2,188	3,137
Travel	2,085	6,059
Utilities	3,005	2,437
	<b>239,326</b>	<b>258,047</b>
<b>EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS</b>	<b>248,783</b>	<b>34,804</b>
<b>LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT</b>	<b>-</b>	<b>(599)</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 248,783</b>	<b>\$ 34,205</b>

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



**MISSION OF MERCY (CANADA)**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2017**

	Invested in Property and Equipment	Internally Restricted	Unrestricted	<b>2017</b>	2016
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 2,833	\$ -	\$ 693,554	<b>\$ 696,387</b>	\$ 662,182
Excess (deficiency) of revenues over expenses	(864)	-	249,647	<b>248,783</b>	34,205
Net investment in property and equipment	912	-	(912)	-	-
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 2,881</b>	<b>\$ -</b>	<b>\$ 942,289</b>	<b>\$ 945,170</b>	<b>\$ 696,387</b>

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

**MISSION OF MERCY (CANADA)****Statement of Cash Flows****Year Ended December 31, 2017**

	2017	2016
<b>OPERATING ACTIVITIES</b>		
Cash receipts from donors	\$ 1,203,647	\$ 1,128,902
Cash paid to suppliers and employees	(234,466)	(252,099)
Interest received	4,729	5,788
Bank charges	(6,303)	(6,516)
Donations to India	(444,766)	(1,129,225)
Cash flow from (used by) operating activities	522,841	(253,150)
<b>INVESTING ACTIVITY</b>		
Purchase of property and equipment	(911)	(451)
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>521,930</b>	<b>(253,601)</b>
Cash - beginning of year	941,648	1,195,249
<b>CASH - END OF YEAR</b>	<b>\$ 1,463,578</b>	<b>\$ 941,648</b>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 948,524	\$ 702,095
Restricted cash	515,054	239,553
	<b>\$ 1,463,578</b>	<b>\$ 941,648</b>

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



## 1. PURPOSE

Mission of Mercy (Canada) is a not-for-profit organization which exists 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. Mission of Mercy (Canada) is a not-for-profit charitable organization incorporated under the Canada Corporations Act. As a registered charity, it is exempt from tax under Section 149(1)(f) of the Income Tax Act.

## 2. SUMMARY OF 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:

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash consists of funds held on deposit at Canadian financial institutions. Cash equivalents are investments in term deposits and are valued at cost plus accrued interest. The carrying amounts approximate fair value.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives 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.

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 are recognized as revenue when received or receivable if the amount to be recorded 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.

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

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit 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.

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.

## 3. RESTRICTED CASH / DEFERRED CONTRIBUTIONS

Restricted cash/deferred contributions consist of funds received for various projects to be developed in India. Child Sponsorships consist 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.

	2017	2016
A G East Projects	\$ 17,490	\$ -
Bihar Project	-	29,147
Biosand Filters	34,924	18,931
Chapels	-	7,721
Child sponsorship	83,575	-
Children Rescue Fund	43,817	32,392
Christmas items	5,065	-
Deepika	3,930	-
Empowering Women	2,430	-
Feeding	53,995	31,910
Hilt	7,754	3,283
Medical Aid	102	-
Mercy Centre	17,838	52,968
Newtown	236,821	57,589
Tea Garden Rescue Program	-	5,471
Wells	5,921	141
West Bengal Pastors	1,392	-
	<b>\$ 515,054</b>	<b>\$ 239,553</b>



## MISSION OF MERCY (CANADA)

## Notes to Financial Statements

Year Ended December 31, 2017

## 4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Computer equipment	\$ 6,697	\$ 4,788	\$ 1,909	\$ 1,619
Equipment	5,500	5,075	425	531
Furniture and fixtures	11,825	11,278	547	683
	<b>\$ 24,022</b>	<b>\$ 21,141</b>	<b>\$ 2,881</b>	<b>\$ 2,833</b>

## 5. LEASE COMMITMENTS

The organization has a building lease agreement for the period from July 1, 2015 to June 30, 2018 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. The agreement comes with the option to renew for a future period. 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 year-end are as follows:

2018	<u>\$ 12,285</u>
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**MISSION OF MERCY (CANADA)**

**Notes to Financial Statements**

**Year Ended December 31, 2017**

**6. 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 \$1,203,647. Gross contributions received were disbursed as follows:

	<b>2017</b>
<b>Mission Disbursement - cash basis</b>	
Administrative expenses	\$ 27,584
Child sponsorship	189,634
Children's homes	1,848
Deepika Social Welfare Society	22,366
General program funding	176,358
Projects and construction	26,976
	<b>444,766</b>
<b>Other - cash basis</b>	
General operating expenses	234,466
<b>Total amounts spent</b>	<b>\$ 679,232</b>

During the year, gross contributions received on a cash basis less amounts spent resulted in a net surplus of \$524,415.

There was one contribution of \$200,000 and another of \$175,000 received, which exceeded 10% of the gross contributions received during the year. The donor of the \$200,000 designated \$79,127 to the Newtown Project and the rest to the Mercy Fund, and the donor of the \$175,000 designated the full amount to the Mercy Fund.

All expenses incurred, directly and indirectly, for the purpose of soliciting contributions were \$52,112. Included in this amount was \$42,006 paid as remuneration to employees whose principal duties involved fund-raising.

**7. 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.



**8. COMPARATIVE FIGURES**

Certain of the comparative figures have been reclassified to conform to the current year's presentation.