MISSION OF MERCY (CANADA)

Financial Statements

Year Ended December 31, 2018

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, 2018, 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, 2018, 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 charitable organizations, the organization derives revenue from donations the completeness of which is not susceptible of 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, excess of revenues over expenses, current assets and net assets.

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

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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.

Fraser LLP

Edmonton, Alberta
May 8, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS

	2018	2017
ASSETS		
CURRENT		
Cash	**$ 824,161**	$ 948,524
Employee deductions receivable	**-**	236
Goods and services tax recoverable	**6,545**	6,626
Prepaid expenses	**2,549**	1,401
Restricted cash *(Note 3)*	**471,182**	515,054
	1,304,437	1,471,841
PROPERTY AND EQUIPMENT *(Note 4)*	**2,113**	2,881
	$ 1,306,550	$ 1,474,722
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 15,189**	$ 14,498
Deferred contributions *(Note 3)*	**471,182**	515,054
	486,371	529,552
LEASE COMMITMENTS *(Note 5)*		
NET ASSETS		
INVESTED IN PROPERTY AND EQUIPMENT	**2,113**	2,881
UNRESTRICTED NET ASSETS	**818,066**	942,289
	820,179	945,170
	$ 1,306,550	$ 1,474,722

ON BEHALF OF THE BOARD

______________________________ *Director*

______________________________ *Director*

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

Statement of Revenues and Expenditures

Year Ended December 31, 2018

	2018	2017
REVENUE		
Child sponsorship	**$ 390,539**	$ 381,005
General contributions	**787,075**	547,141
Investment income	**8,364**	4,729
	1,185,978	932,875
MISSIONS DISBURSEMENT		
Donations to India *(Note 6)*	**1,067,857**	444,766
EXCESS OF REVENUES OVER MISSIONS DISBURSEMENT	**118,121**	488,109
EXPENSES		
Advertising and promotion	**-**	17
Amortization	**767**	866
Fundraising	**1,485**	1,974
Insurance	**2,467**	2,370
Interest and bank charges	**6,988**	6,303
Memberships	**663**	880
Office	**23,349**	26,116
Postage and courier	**9,148**	8,749
Professional fees	**27,200**	27,000
Rental	**24,360**	24,420
Salaries and benefits	**135,264**	133,353
Telephone	**2,671**	2,188
Travel	**5,683**	2,085
Utilities	**3,067**	3,005
	243,112	239,326
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**$ (124,991)**	$ 248,783

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

	Invested in Property and Equipment	Internally Restricted	Unrestricted	**2018**	2017
NET ASSETS - BEGINNING OF YEAR	$ 2,881	$ -	$ 942,289	**$ 945,170**	$ 696,387
Excess (deficiency) of revenues over expenses	(768)	-	(124,223)	**(124,991)**	248,783
NET ASSETS - END OF YEAR	$ 2,113	$ -	$ 818,066	**$ 820,179**	$ 945,170

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

	2018	2017
OPERATING ACTIVITIES		
Cash receipts from donors	**$ 1,133,742**	$ 1,203,647
Cash paid to suppliers and employees	**(235,496)**	(234,466)
Interest received	**8,364**	4,729
Bank charges	**(6,988)**	(6,303)
Donations to India	**(1,067,857)**	(444,766)
Cash flow (used by) from operating activities	**(168,235)**	522,841
INVESTING ACTIVITY		
Purchase of property and equipment	**-**	(911)
INCREASE (DECREASE) IN CASH	**(168,235)**	521,930
Cash - beginning of year	**1,463,578**	941,648
CASH - END OF YEAR	**$ 1,295,343**	$ 1,463,578
CASH CONSISTS OF:		
Cash	**$ 824,161**	$ 948,524
Restricted cash	**471,182**	515,054
	$ 1,295,343	$ 1,463,578

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

	2018	2017
CASH RECEIPTS FROM DONORS		
Revenue	**$ 1,185,978**	$ 932,875
Investment income	**(8,364)**	(4,729)
Change in current portion of deferred income	**(43,872)**	275,501
	$ 1,133,742	$ 1,203,647
CASH PAID TO SUPPLIERS AND EMPLOYEES		
Missions disbursement	**$ 1,067,857**	$ 444,766
Expenses from operations	**243,112**	239,326
Remove amortization of property and equipment	**(767)**	(866)
Remove interest expense	**(6,987)**	(6,301)
Change in prepaid expenses	**1,148**	88
Goods and services tax payable (recoverable)	**(82)**	2,056
Change in payables (net of interest payable)	**(928)**	163
Donations to India	**(1,067,857)**	(444,766)
	$ 235,496	$ 234,466

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) 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

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) 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 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 for obsolence. 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.

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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.

	2018	2017
	$ -	$ -
A G East Projects	**-**	17,490
Banpur	**6,291**	-
Biosand	**17,245**	34,924
Children Rescue Fund	**58,883**	43,817
Christmas items	**-**	5,065
Deepika	**25,009**	3,930
Empowering Women	**-**	2,430
Feeding	**-**	53,995
Ghaghra School	**91,606**	83,575
Hilt	**18,554**	7,754
Medical Aid	**-**	102
Mercy Centre	**-**	17,838
Newtown	**242,806**	236,821
Pioneer Workers Feeding	**3,751**	-
Sustainablity/Empowering Women	**6,295**	-
Wells	**742**	5,921
West Bengal Associates	**-**	1,392
	$ 471,182	$ 515,054

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	**2018 Net book value**	2017 Net book value
Computer equipment	$ 6,697	$ 5,361	**$ 1,336**	$ 1,909
Equipment	5,500	5,160	**340**	425
Furniture and fixtures	11,825	11,388	**437**	547
	$ 24,022	$ 21,909	**$ 2,113**	$ 2,881

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 year-end are as follows:

2019	$ 24,570
2020	24,570
2021	12,285
	$ 61,425

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 $1,133,742. Gross contributions received were disbursed as follows:

	2018
Mission Disbursement - cash basis	
Administrative expenses	$ 18,804
Child sponsorship	119,083
Deepika Social Welfare Society	25,099
General program funding	904,871
	1,067,857
Other - cash basis	
General operating expenses	235,496
Total amounts distributed	$ 1,303,353

During the year, gross contributions received on a cash basis less amounts spent resulted in a net deficit of $169,611.

There was one contribution of $165,000 received, which exceeded 10% of the gross contributions received during the year. The donor designated the full amount to the Mercy Fund.

All expenses incurred, directly and indirectly, for the purpose of soliciting contributions were $52,419. Included in this amount was $42,608 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.