MISSION OF MERCY (CANADA)

Financial Statements

Year Ended December 31, 2013

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, 2013 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, excess 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, 2013, 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 3, 2014

CHARTERED ACCOUNTANTS

	2013	2012
ASSETS		
CURRENT		
Cash	**$ 1,326,138**	$ 1,085,111
Term deposits	**9,456**	9,331
Accounts receivable	**2,000**	2,000
Goods and services tax recoverable	**4,525**	2,606
Prepaid expenses	**1,151**	1,253
Restricted funds *(Note 4)*	**161,064**	193,014
	1,504,334	1,293,315
PROPERTY AND EQUIPMENT *(Note 5)*	**6,374**	6,485
	$ 1,510,708	$ 1,299,800
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 9,737**	$ 14,720
Employee deductions payable	**875**	2,690
Deferred contributions *(Note 4)*	**161,064**	193,014
	171,676	210,424
LEASE COMMITMENTS *(Note 6)*		
NET ASSETS		
INVESTED IN PROPERTY AND EQUIPMENT	**6,807**	6,486
INTERNALLY RESTRICTED *(Note 3)*	**233,415**	275,591
UNRESTRICTED	**1,098,810**	807,299
	1,339,032	1,089,376
	$ 1,510,708	$ 1,299,800

ON BEHALF OF THE BOARD

______________________________ *Director*

______________________________ *Director*

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

Statement of Operations

Year Ended December 31, 2013

	2013	2012
REVENUES		
Child sponsorship	**$ 619,377**	$ 523,897
General contributions	**1,041,580**	1,052,824
Investment income	**4,266**	4,695
	1,665,223	1,581,416
MISSIONS DISBURSEMENT		
Donations to India	**1,185,272**	1,120,428
EXCESS OF REVENUES OVER MISSIONS DISBURSEMENT	**479,951**	460,988
EXPENSES		
Amortization	**1,844**	1,907
Fundraising	**1,113**	2,706
Insurance	**2,121**	2,277
Interest and bank charges	**6,271**	11,230
Memberships	**90**	640
Office	**26,727**	48,105
Postage and courier	**8,871**	12,700
Professional fees	**24,900**	24,650
Promotional material expenses	**2,343**	2,704
Rental	**23,590**	23,475
Salaries and benefits	**122,917**	102,966
Telephone	**2,641**	2,403
Travel	**3,483**	4,469
Utilities	**2,951**	2,655
	229,862	242,887
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	**250,089**	218,101
LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	**(433)**	-
EXCESS OF REVENUES OVER EXPENSES	**$ 249,656**	$ 218,101

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

Statement of Changes in Net Assets

Year Ended December 31, 2013

	Invested in Property and Equipment	Internally Restricted	Unrestricted	**2013**	2012
NET ASSETS - BEGINNING OF YEAR	$ 6,486	$ 275,591	$ 807,299	**$ 1,089,376**	$ 871,275
Excess (deficiency) of revenues over expenses	(1,844)	-	251,500	**249,656**	218,101
Net investment in property and equipment	2,165	-	(2,165)	**-**	-
Internally restricted activity	-	(42,176)	42,176	**-**	-
NET ASSETS - END OF YEAR	$ 6,807	$ 233,415	$ 1,098,810	**$ 1,339,032**	$ 1,089,376

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

Statement of Cash Flows

Year Ended December 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Cash receipts from donors	**$ 1,629,007**	$ 1,465,769
Cash paid to suppliers and employees	**(230,363)**	(221,723)
Interest received	**4,266**	4,695
Interest paid	**(6,271)**	(11,230)
Donations to India	**(1,185,272)**	(1,120,428)
Cash flow from operating activities	**211,367**	117,083
INVESTING ACTIVITY		
Purchase of property and equipment	**(2,165)**	(1,600)
INCREASE IN CASH FLOW	**209,202**	115,483
Cash - beginning of year	**1,287,456**	1,171,973
CASH - END OF YEAR	**$ 1,496,658**	$ 1,287,456
CASH CONSISTS OF:		
Cash	**$ 1,326,138**	$ 1,085,111
Term deposits	**9,456**	9,331
Restricted funds	**161,064**	193,014
	$ 1,496,658	$ 1,287,456

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

1. PURPOSE

Mission of Mercy (Canada) is a Christian 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. The organization 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

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
Leasehold improvements	5 years	straight-line 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 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.

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.

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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.

3. INTERNALLY RESTRICTED NET ASSETS

The Board has internally restricted $233,415 (2012 - $275,591) for general construction projects in India. This amount is included in cash.

4. RESTRICTED FUNDS / DEFERRED CONTRIBUTIONS

Restricted funds / 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). BSF Funds, Children Rescue Fund, Emergency Relief, HILT, Mercy Centre, Mercy Chapel, Nepal and Wells all received restricted funds as indicated below, which have not yet been spent.

	2013	2012
BSF Funds	**$ 21,664**	
Bible College	**-**	9,095
Children Rescue Fund	**53,350**	
Childrens Home	**-**	15,717
Emergency Relief	**8,616**	8,616
Feeding	**-**	31,799
HILT	**5,813**	
Medical Aid	**-**	1,010
Memorial	**-**	17,726
Mercy Centre	**37,476**	59,763
Mercy Chapel	**4,738**	41,570
Nepal	**25,607**	
Wells	**3,800**	7,718
	$ 161,064	$ 193,014

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	**2013 Net book value**	2012 Net book value
Computer equipment	$ 8,037	$ 4,036	**$ 4,001**	$ 3,519
Equipment	5,500	4,462	**1,038**	1,298
Furniture and fixtures	11,825	10,490	**1,335**	1,668
Leasehold improvements	9,470	9,470	**-**	-
	$ 34,832	$ 28,458	**$ 6,374**	$ 6,485

6. LEASE COMMITMENTS

The organization has a long term lease with respect to its premises. The agreement is for 3 years for the period from July 1, 2012 to June 30, 2015, to lease office space for its premises. The monthly lease payments are $1,900 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 as at year end are as follows:

2014	$ 23,940
2015	11,970
	$ 35,910

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 $1,629,007. Gross contributions received were disposed as follows:

	2013
Mission Disbursement - cash basis	
Administrative expenses	**$ 71,188**
Child sponsorship	**338,353**
Children's homes	**43,920**
Construction projects	**517,982**
Crossroads Mercy Centre	**59,950**
Deepika Social Welfare Society	**18,735**
General program funding	**135,144**
	1,185,272
Other - cash basis	
General operating expenses	**230,363**
Total amounts spent	**$ 1,415,635**

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

During the year, gross contributions received on a cash basis less amounts spent resulted in a net surplus of $213,372.

There was one contribution of $200,000 received, which exceeded 10% of the gross contributions received during the year. The donor did not designate the contribution to a specific use; therefore, it was used as directed as management.

All expenses incurred, directly and indirectly, for the purpose of soliciting contributions were $51,058. Included in this amount was $38,719 paid as remuneration to employees whose principal duties involved fund-raising.

8. 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 other externally imposed capital requirements.

9. COMPARATIVE FIGURES

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