

DALIT FREEDOM NETWORK CANADA ASSOCIATION
Non-Consolidated Financial Statements
December 31, 2018

DALIT FREEDOM NETWORK CANADA ASSOCIATION
Index to Non-Consolidated Financial Statements
Year Ended December 31, 2018

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
NON-CONSOLIDATED FINANCIAL STATEMENTS	
Non-Consolidated Statement of Financial Position	3
Non-Consolidated Statement of Changes in Fund Balances	4
Non-Consolidated Statement of Operations	5
Non-Consolidated Statement of Cash Flows	6
Notes to Non-Consolidated Financial Statements	7 - 11

INDEPENDENT AUDITOR'S REPORT

To the Members of Dalit Freedom Network Canada Association

Report on the Non-consolidated Financial Statements

Opinion

We have audited the non-consolidated financial statements of Dalit Freedom Network Canada Association (the "Association"), which comprise the non-consolidated statement of financial position as at December 31, 2018, and the non-consolidated statements of changes in fund balances, operations and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Association 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 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 Non-consolidated Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the non-consolidated 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 opinion.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, these standards have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management and Those Charged with Governance for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

(continues)

Independent Auditor's Report to the Members of Dalit Freedom Network Canada Association *(continued)*

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated 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 non-consolidated 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 Association'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 Association'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 non-consolidated 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 Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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.

Burnaby, British Columbia
April 5, 2019



Chartered Professional Accountants

DALIT FREEDOM NETWORK CANADA ASSOCIATION
Non-Consolidated Statement of Financial Position
December 31, 2018

	Operating Fund	Scholarship Fund	Restricted Fund	2018	2017 (Note 2)
ASSETS					
CURRENT					
Cash and cash equivalents	\$ 966,653	\$ 381,631	\$ 749,554	\$ 2,097,838	\$ 2,501,702
Recoverable from government authorities - GST	4,937	-	-	4,937	4,701
Prepaid expenses	10,668	-	-	10,668	24,072
	982,258	381,631	749,554	2,113,443	2,530,475
DUE FROM DALIT FREEDOM NETWORK CANADA FOUNDATION					
	-	-	-	-	115
	16,161	-	-	16,161	17,955
CAPITAL ASSETS (Note 4)	\$ 998,419	\$ 381,631	\$ 749,554	\$ 2,129,604	\$ 2,548,545
LIABILITIES AND FUND BALANCES					
CURRENT					
Accounts payable and accrued liabilities	\$ 22,703	\$ 104,427	\$ -	\$ 127,130	\$ 176,559
Payable to government authorities - payroll source deductions	7,997	-	-	7,997	7,979
Deferred contributions	1,800	-	-	1,800	-
	32,500	104,427	-	136,927	184,538
FUND BALANCES - page 4					
Unrestricted	965,919	-	-	965,919	817,670
Externally restricted (Note 5)	-	277,204	749,554	1,026,758	1,546,337
	965,919	277,204	749,554	1,992,677	2,364,007
\$ 998,419	\$ 381,631	\$ 749,554	\$ 2,129,604	\$ 2,548,545	\$ 2,548,545

COMMITMENTS (Note 9)

ON BEHALF OF THE BOARD

 Director

 Director

See notes to non-consolidated financial statements

DALIT FREEDOM NETWORK CANADA ASSOCIATION
Non-Consolidated Statement of Changes in Fund Balances
Year Ended December 31, 2018

	Operating Fund	Scholarship Fund	Restricted Fund	2018	2017
FUND BALANCES - BEGINNING OF YEAR					
As previously reported	\$ 817,670	\$ 899,127	\$ 647,210	\$ 2,364,007	\$ 1,220,188
Change in accounting policy (Note 2)	-	-	-	-	(21,694)
As restated	817,670	899,127	647,210	2,364,007	1,198,494
Excess (deficiency) of revenue over expenses - page 5	(220,844)	(566,043)	415,557	(371,330)	1,165,513
Interfund transfers (Note 8)	369,093	(55,880)	(313,213)	-	-
FUND BALANCES - END OF YEAR - page 3	\$ 965,919	\$ 277,204	\$ 749,554	\$ 1,992,677	\$ 2,364,007

See notes to non-consolidated financial statements

DALIT FREEDOM NETWORK CANADA ASSOCIATION
Non-Consolidated Statement of Operations
Year Ended December 31, 2018

	Operating Fund	Scholarship Fund	Restricted Fund	2018	2017 (Note 2)
REVENUE					
Contributions	\$ 543,865	\$ 1,457,216	\$ 652,198	\$ 2,653,279	\$ 4,626,264
EXPENSES					
India Project					
Project expenses	16,730	2,023,259	156,067	2,196,056	2,554,681
Program expenses	47,056	-	-	47,056	73,823
Distribution materials	1,015	-	-	1,015	8,111
Salaries and wages	292,418	-	76,837	369,255	447,754
Promotion and advertising	162,854	-	1,291	164,145	160,347
Rent and utilities	70,847	-	-	70,847	68,081
Office and miscellaneous	52,150	-	-	52,150	50,344
Bank charges, interest, foreign exchange	39,194	-	-	39,194	40,700
Travel	34,016	-	2,446	36,462	28,497
Professional fees	31,870	-	-	31,870	10,660
Computer expense	10,038	-	-	10,038	9,963
Amortization	3,580	-	-	3,580	4,473
Insurance	2,941	-	-	2,941	3,317
	764,709	2,023,259	236,641	3,024,609	3,460,751
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - page 4	\$ (220,844)	\$ (566,043)	\$ 415,557	\$ (371,330)	\$ 1,165,513

See notes to non-consolidated financial statements

DALIT FREEDOM NETWORK CANADA ASSOCIATION
Non-Consolidated Statement of Cash Flows
Year Ended December 31, 2018

	2018	2017 <i>(Note 2 & 13)</i>
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses - page 5	\$ (371,330)	\$ 1,165,513
Items not affecting cash:		
Amortization	3,580	4,473
Loss on disposal of assets	197	-
	<u>(367,553)</u>	<u>1,169,986</u>
Changes in non-cash working capital:		
Recoverable from government authorities - GST	(236)	1,533
Prepaid expenses	13,404	(12,055)
Accounts payable and accrued liabilities	(49,429)	48,060
Payable to government authorities - payroll source deductions	18	(1,313)
Deferred contributions	1,800	(5,400)
	<u>(34,443)</u>	<u>30,825</u>
Cash flow from (used by) operating activities	<u>(401,996)</u>	<u>1,200,811</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(1,983)	(1,148)
Proceeds on disposal of capital assets	-	973
Cash flow used by investing activities	<u>(1,983)</u>	<u>(175)</u>
FINANCING ACTIVITY		
Advances from (to) Dalit Freedom Network Canada Foundation	115	(115)
INCREASE (DECREASE) IN CASH FLOW	(403,864)	1,200,521
Cash and cash equivalents - beginning of year	<u>2,501,702</u>	<u>1,301,181</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,097,838	\$ 2,501,702
CASH AND CASH EQUIVALENTS CONSIST OF:		
Unrestricted cash	\$ 541,980	\$ 465,251
Unrestricted money market mutual funds	424,673	329,749
Externally restricted money market mutual funds	1,131,185	1,706,702
	<u>\$ 2,097,838</u>	<u>\$ 2,501,702</u>

DALIT FREEDOM NETWORK CANADA ASSOCIATION
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2018

1. PURPOSE OF THE ORGANIZATION

The purpose of Dalit Freedom Network Canada Association (the "Association") is as follows:

Providing quality English education to Dalit children in the rural villages of India
Bringing hope and dignity to children who are considered outcasts
Providing livelihood training and management for Dalit men and women
Providing public health, education and disease prevention in rural areas of India
Developing a Canadian awareness of the plight of the Dalit people

The Association is incorporated under the Societies Act of British Columbia and is a registered charity under the Income Tax Act and as such is exempt from income taxes.

2. CHANGE IN ACCOUNTING POLICY

The Association previously did not report its accrued vacation payable for salaried employees which resulted in an overstatement of fund balances, accrued liabilities and expenses. To account for this change in the current year, accrued liabilities increased by \$13,165, and opening Operating Fund balance decreased by \$12,803. To account for this change in the prior year, accrued liabilities increased by \$12,803, opening Operating Fund balance decreased by \$21,694 and salaries and wages expense decreased by \$8,891.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The non-consolidated financial statements were prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

The Association does not prepare consolidated financial statements of its controlled organization Dalit Freedom Network Canada Foundation (*Note 6*).

Fund accounting

Dalit Freedom Network Canada Association follows the restricted fund method of accounting for contributions.

The Operating Fund reports the assets, liabilities, revenue and expenses related to the administrative and program delivery activities of the Association, including its capital assets.

The Scholarship Fund reports the externally restricted assets, liabilities, revenue and expenses related to the Child Scholarship Project.

The Restricted Fund reports the externally restricted assets, liabilities, revenue and expenses related to various programs and projects approved by the board of directors.

(continues)

DALIT FREEDOM NETWORK CANADA ASSOCIATION
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2018

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

Revenue recognition

Externally restricted contributions related to general operations are recognized as revenue in the Operating Fund in the year in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributor. All other externally restricted contributions are recognized as revenue of the appropriate restricted fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Cash and cash equivalents

Any term deposits or similar contractual instruments that are cashable and have a maturity term of three months or less are classified as cash equivalents. The Association's cash equivalents consist of money market mutual funds that are cashable and have no maturity terms. A breakdown of cash and cash equivalents is provided in the Statement of Cash Flows.

Capital assets and amortization

Capital assets are stated at cost less accumulated amortization. Amortization is provided at various rates on a straight-line basis designed to amortize the asset over its estimated useful life. The amortization rates are as follows:

Furniture and fixtures	10 years
Website	10 years
Computer equipment	5 years
Leasehold improvements	over the term of the lease

Foreign currency translation

All monetary assets and liabilities of operations denominated in currencies other than Canadian dollars have been translated into Canadian dollars at the rate of exchange in effect at the non-consolidated statement of financial position date. Non-monetary items are translated at historical exchange rates, unless such items are carried at market, in which case they are translated at the rate of exchange in effect at the non-consolidated statement of financial position date. Gains and losses resulting from the translation of assets and liabilities are reflected in excess (deficiency) of revenue over expenses for the year.

Revenue and expense accounts are translated at the current rate of exchange at the time of the transaction.

Contributed services and materials

Due to the difficulty in determining their fair value, contributed services are not recognized in the non-consolidated financial statements.

Contributed materials or gifts-in-kind are only recognized when their fair value is reasonably determinable and significant, with such items recorded at fair value on the date of the contribution. During the year the Association received gifts-in-kind of \$10,093 in publicly traded shares (2017 - \$67,350 in publicly traded shares).

DALIT FREEDOM NETWORK CANADA ASSOCIATION
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2018

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Furniture and fixtures	\$ 15,689	\$ 8,745	\$ 6,944	\$ 8,111
Website	10,500	3,588	6,912	7,962
Computer equipment	7,976	5,671	2,305	1,882
Leasehold improvements	2,724	2,724	-	-
	<u>\$ 36,889</u>	<u>\$ 20,728</u>	<u>\$ 16,161</u>	<u>\$ 17,955</u>

5. RESTRICTED FUND

The restricted fund relates to funds designated for specific projects as follows:

	2018	2017
Educational Assistance Fund	\$ 378,196	\$ 315,842
Education Centre Fund	254,369	228,464
Development Ministry Fund	65,836	62,001
School Equipment Fund	45,348	14,588
Health and Feeding Program	5,517	4,443
Relief and School gifts	288	5,792
Hope for Dalit Women Fund	-	16,080
	<u>\$ 749,554</u>	<u>\$ 647,210</u>

6. RELATED PARTY

Dalit Freedom Network Canada Foundation (the "Foundation") is a controlled organization that is a registered charity. The Association has common directors with the Foundation and all strategic decisions are determined by the Association. The purpose of the Foundation is the same as the Association, which results in common and complementary objectives.

	2018	2017
Dalit Freedom Network Canada Foundation		
Total Assets	\$ 117,913	\$ 92,644
Total Liabilities	-	535
Fund Balances	117,913	92,109
Revenue	98,141	35,630
Expenses	72,337	15,464
Cash flows from operating activities	\$ 25,405	\$ 20,173
Cash flow from financing activity	(115)	115

DALIT FREEDOM NETWORK CANADA ASSOCIATION
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2018

7. RELATED PARTY TRANSACTIONS

During the year, the Association received contributions from Dalit Freedom Network Canada Foundation in the amount of \$67,182 (2017 – \$9,731).

These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. INTERFUND TRANSFERS

During the year the following interfund transfers occurred:

\$291,443 was transferred from the Scholarship Fund to the Operating Fund for administration purposes, which satisfies the administration fee percentage rate charged on some of the restricted contributions as determined by management.

\$109,019 was transferred from the Restricted Fund to the Operating Fund for administration purposes, which satisfies the administration fee percentage rate charged on some of the restricted contributions as determined by management.

\$235,563 was transferred from the Restricted Fund (Educational Assistance Fund) to the Scholarship Fund to cover the tuition for children in the Child Scholarship Project.

\$318 was transferred from the Restricted Fund (Education Centre Fund) to the Restricted Fund (Education Assistance Fund) to fulfill a donor request.

\$37,093 was transferred from the Operating Fund to the Restricted Fund (Hope for Dalit Women Fund) to cover the deficit.

\$5,724 was transferred from the Restricted Fund (Hope for Dalit Women Fund) to the Operating Fund to cover administrative expenses.

\$1,611 was transferred from the Restricted Fund (Relief and School Gifts Fund) to the Restricted Fund (School Equipment Fund) for school equipment.

\$10,323 was transferred from the Restricted Fund (Development Ministry Fund) to the Restricted Fund (Education Centre Fund) for the Faridkot building project.

9. COMMITMENTS

The Association has a lease with respect to its office premises, which expires on July 31, 2019. The minimum basic rent payments are \$2,789 per month and the estimated additional rent related to common area operating costs is \$1,537 per month.

Expected future minimum payments for all the above are as follows:

2019	\$	30,285
------	----	--------

DALIT FREEDOM NETWORK CANADA ASSOCIATION
Notes to Non-Consolidated Financial Statements
Year Ended December 31, 2018

10. ECONOMIC DEPENDENCE

The Association is dependent on the Operation Mercy India Foundation to provide education, health care and health care products and financial assistance to the Dalit people in India. During the year the Association payments to Operation Mercy India Foundation accounted for 73% (2017 – 75%) of its total expenses.

11. REMUNERATION DISCLOSURE

As required by the Societies Act of British Columbia, the Association discloses that the two highest paid individuals and persons under a contract for services that exceeded \$75,000 of annual remuneration were paid a total sum of \$161,397.

12. FINANCIAL INSTRUMENTS

All financial instruments are initially recorded at their fair market value. Publicly traded equity instruments quoted in an active market are subsequently measured at fair value with any unrealized gains or losses and transaction costs recognized in net excess (deficiency) of revenue over expenses. All other financial instruments are adjusted for any transaction costs incurred on acquisition and are subsequently measured at their amortized cost. Financial instrument impairments and impairment reversals are recognized when incurred in net excess (deficiency) of revenue over expenses.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk for its cash and cash equivalents. Exposures to credit risk and significant changes to the risk exposure from the prior year are as follows:

- Cash equivalents consist of money market mutual funds issued by one financial institution and held through one investment broker. The Association's portfolio has decreased from the prior year, resulting in a decrease in credit risk exposure. The money market mutual funds are guaranteed by the investee and to a limited degree by government insurance provisions that cover deposits.

Concentrations of credit risk include:

All of the cash and cash equivalents are held and managed by one investment broker and the total amount held in cash and broker in-house investments exceeds the Canadian Investor Protection Fund's threshold of up to \$1,000,000. Therefore any financial difficulties encountered by that financial institution or unfavorable investment decisions could adversely affect the collectability and valuation of the funds.

13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. Specifically, on the Statement of Cash Flows, the breakdown of externally restricted money market mutual funds has changed from \$1,713,033 to \$1,706,702, and unrestricted money market mutual funds has been changed from \$323,418 to \$329,749.
