

Sopar - Bala Vikasa
Financial Statements
March 31, 2017

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Independent Auditor's Report

To the Administrators of
Sopar - Bala Vikasa

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We have audited the accompanying financial statements of Sopar - Bala Vikasa, which comprise the statement of financial position as at March 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 generally accepted 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.

Basis for qualified opinion

In common with many not-for-profit organizations, Sopar - Bala Vikasa derives revenue from contributions to fund-raising campaigns the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these contributions was limited to the amounts recorded in the records of Sopar - Bala Vikasa. Therefore, we were not able to determine whether any adjustments might be necessary to annual fund-raising campaign contributions, excess of revenues over expenses and cash flows from operating activities for the years ended March 31, 2017 and 2016, current assets as at March 31, 2017 and 2016 and net assets as at April 1, 2016 and 2015 and March 31, 2017 and 2016. Our opinion on the financial statements for the year ended March 31, 2016 was qualified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Sopar - Bala Vikasa as at March 31, 2017 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.

*Raymond Chabot Grant Thornton LLP*¹

Gatineau
June 6, 2017

¹ CPA auditor, CA public accountancy permit no. A123812

Sopar - Bala Vikasa Operations

Year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
Income		
GAC - Five-year program	1,115,522	1,028,135
Contributions		
Privates donations	240,482	219,179
Donations from institutions and corporations	<u>535,759</u>	<u>593,336</u>
	<u>1,891,763</u>	<u>1,840,650</u>
Charges		
GAC - Five-year program (Schedule A)	1,487,363	1,374,977
General administration (Schedule B)	55,966	34,311
Other Indian development projects	75,550	25,300
Humanitarian and educational programs in India	179,700	224,200
Bala Vikasa International Center		160,000
	<u>1,798,579</u>	<u>1,818,788</u>
Excess of revenues over expenses before other income (charges)	93,184	21,862
Other income (charges) (Schedule C)	<u>19,646</u>	<u>(447)</u>
Excess of revenues over expenses	<u>112,830</u>	<u>21,415</u>

The accompanying notes and schedules are an integral part of the financial statements.

Sopar - Bala Vikasa

Changes in Net Assets

Year ended March 31, 2017

				2017	2016
	GAC - Five-year program	Invested in capital assets	Unrestricted	Total	Total
	\$	\$	\$	\$	\$
Balance, beginning of year	24,487	3,261	341,651	369,399	347,984
Excess (deficiency) of revenues over expenses		(930)	113,760	112,830	21,415
Internal restriction	(24,487)	5,374	19,113		
Balance, end of year	-	7,705	474,524	482,229	369,399

The accompanying notes and schedules are an integral part of the financial statements.

Sopar - Bala Vikasa

Cash Flows

Year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	112,830	21,415
Non-cash items		
Amortization	930	785
Changes in working capital items		
Sales tax receivable	286	(1,546)
Prepaid expenses	(663)	144
Grant receivable from GAC	(209,621)	
Advances to a not-for-profit organization in which the organization holds an economic interest	26,862	(23,719)
Trade payables and other operating liabilities	6,336	(679)
Deferred contributions	16,489	(479,266)
Cash flows from operating activities	<u>(46,551)</u>	<u>(482,866)</u>
INVESTING ACTIVITIES		
Disposal of term deposits		240,000
Fixed assets	<u>(5,374)</u>	
Cash flows from investing activities	<u>(5,374)</u>	<u>240,000</u>
Net decrease in cash	(51,925)	(242,866)
Cash, beginning of year	<u>464,151</u>	<u>707,017</u>
Cash, end of year	<u>412,226</u>	<u>464,151</u>

The accompanying notes and schedules are an integral part of the financial statements.

Sopar - Bala Vikasa
Financial Position
 March 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
ASSETS		
Current		
Cash	412,226	464,151
Sales tax receivable	2,767	3,053
Prepaid expenses	663	
Grant receivable from GAC	209,621	
Advances to a not-for-profit organization in which the organization holds an economic interest, without interest (Note 4)	<u>128,732</u>	155,594
	<u>754,009</u>	622,798
Long-term		
Capital assets (Note 5)	7,705	3,250
Intangible assets		11
	<u>761,714</u>	<u>626,059</u>
LIABILITIES		
Current		
Trade payables and other operating liabilities (Note 6)	23,035	16,699
Deferred contributions (Note 7)	<u>256,450</u>	239,961
	<u>279,485</u>	256,660
NET ASSETS		
GAC - Five-year program		24,487
Invested in capital assets	7,705	3,261
Unrestricted	<u>474,524</u>	341,651
	<u>482,229</u>	369,399
	<u>761,714</u>	<u>626,059</u>

The accompanying notes and schedules are an integral part of the financial statements.

On behalf of the Board,

Director

Director

Sopar - Bala Vikasa

Notes to Financial Statements

March 31, 2017

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

Sopar-Bala Vikasa (the Organization) is incorporated under the Canada Not-for-profit Corporations Act. It aims to reduce poverty in developing countries, especially in India, and promote Canadian public engagement in international cooperation. The Organization has charitable status recognized under the Federal and Quebec tax laws on income tax and is therefore exempt from income taxes.

2 - SUMMARY OF ACCOUNTING POLICIES

Basis of presentation

The Organization's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements, notes to financial statements and schedules. These estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Revenue recognition

Contributions

The Organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and 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. Endowment contributions are reported as direct increases in net assets.

The Organization may recognize contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations.

GAC - Five-year program

The Organization recognizes revenue under the contrat with Global Affairs Canada (GAC) as provided in the agreement, along the period the service was offered, when the contributions are fixed or determinable and collection is reasonably assured.

Investments

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting. Interest income is recognized on a time apportionment basis.

Sopar - Bala Vikasa

Notes to Financial Statements

March 31, 2017

2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Organization's financial assets and liabilities and those from transactions with parties whose sole relationship with the entity is in the capacity of management (and members of the immediate family) are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. The Company's other financial assets and liabilities from related party transactions are measured in accordance with the recommendations of Section 3840, "Related Party Transaction".

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets).

With respect to the financial assets measured at amortized cost, the Organization assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Organization determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in earnings. The reversal of a previously recognized impairment loss on the financial asset measured at amortized cost is recognized in earnings in the year the reversal occurs.

Tangible capital assets

Tangible capital assets are recorded at cost. When the Organization receives contributions of capital assets, their cost is equal to their fair value at the contribution date.

Amortization

Capital assets are amortized over their estimated useful lives according to the straight-line method over the following periods:

	<u>Periods</u>
Computer equipment	10 years
Furniture and fixtures	15 years

Write-down

When the Organization recognizes that a tangible capital asset no longer has any long-term service potential, the excess of net carrying amount of the tangible capital asset over its residual value is recognized as an expense in the statement of operations.

Sopar - Bala Vikasa

Notes to Financial Statements

March 31, 2017

2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Foreign currency translation

The Company uses the temporal method to translate transactions denominated in a foreign currency. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates, with the exception of those recognized at fair value, which are translated at the exchange rate in effect at the balance sheet date. Revenue and expenses are translated at the average rate for the period, with the exception of the amortization of assets translated at the historical exchange rates which is translated at the same exchange rates as the related assets. The related exchange gains and losses are accounted for in the earnings for the year.

GAC - Five-year program

The amounts in this section of the operations statements represent the share of costs incurred in India and Canada for various development projects in which the Organization has a participation. The share of projects in India is based on reports from the representatives of the Organization in India.

3 - DESCRIPTION OF RESTRICTED NET ASSETS

GAC - Five-year program

This reserve exists to fund the portion of the GAC - Five-year program that the Organization committed to spending as agreed by contract with the GAC ministry.

4 - ADVANCES TO A NOT-FOR-PROFIT ORGANIZATION IN WHICH THE ORGANIZATION HOLDS AN ECONOMIC INTEREST

	<u>2017</u>	<u>2016</u>
	\$	\$
Balance, beginning of year	155,594	131,875
Amount paid during the year	1,239,383	1,178,342
Amount recognized as expenses during the year	(1,271,482)	(1,154,623)
Audit adjustment of GAC	5,237	
Balance, end of year	<u>128,732</u>	<u>155,594</u>

5 - CAPITAL ASSETS

	<u>2017</u>		<u>2016</u>
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Computer equipment	5,374	269	5,105
Furniture and fixtures	40,731	38,131	2,600
	<u>46,105</u>	<u>38,400</u>	<u>7,705</u>
			<u>3,250</u>

Sopar - Bala Vikasa

Notes to Financial Statements

March 31, 2017

6 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	<u>2017</u>	<u>2016</u>
	\$	\$
Accounts payable and accrued liabilities	134	451
Salaries and vacation payable	17,386	11,810
Government remittances	<u>5,515</u>	<u>4,438</u>
	<u>23,035</u>	<u>16,699</u>

7 - DEFERRED CONTRIBUTIONS

	<u>2017</u>	<u>2016</u>
	\$	\$
GAC - Five-year program		
Balance, beginning of year	73,461	583,327
Amount recognized in operations	(905,901)	(1,028,135)
Amount received during the year	827,203	518,269
Audit adjustment of GAC	<u>5,237</u>	
Balance, end of year	-----	----- 73,461

Humanitarian and educational programs in India

Balance, beginning of year	166,500	135,900
Amount recognized in operations	(179,700)	(224,200)
Amount received during the year	<u>269,650</u>	<u>254,800</u>
Balance, end of year	<u>256,450</u>	<u>166,500</u>
	<u>256,450</u>	<u>239,961</u>

8 - CONTINGENCY

Under the contribution agreement agreed to between Global Affairs Canada (GAC) and the Organization, relative to the 2012-2017 five-year program, the Organization must commit a minimum amount of spending in this program during the five years of the program.

The accounting records of the Organization, and those of member institutions engaged to perform the subcontracted projects are subject to audit by GAC to identify instances, if any, where the amounts charged to projects do not comply with the conditions set and, therefore, could be reimbursed to GAC. Adjustments to the financial statements resulting from these audits will be recorded in the periods in which they become known.

9 - LEASE

The Organization has entered into long-term lease agreements expiring in June 2018 for the rental of buildings which call for minimum lease payments of \$13,200 and additional lease payments based on sales. Minimum lease payments for the next two years are \$10,560 in 2018 and \$2,640 in 2019.

Sopar - Bala Vikasa

Notes to Financial Statements

March 31, 2017

9 - LEASE (Continued)

Also, as part of the project Entrepreneurship Training Center and Social Responsibility in India, the Organization has undertaken to make a payment, up to a value of \$450,000, at the request and when deemed appropriate by Bala-Vikasa Social Service Society (India), subject that it uses its best efforts to collect by herself, by fundraising or any other means deemed appropriate, the said sum of \$450,000. In such cases, the agency will only have to replace the shortfall, provided that such amount can be transferred from Sopar Foundation - Bala Vikasa directly to Bala-Vikasa Social Service Society or the Organization, according to what it requires. At the date of the statement of financial position, the Organization had already made payments for a total of \$335,000.

10 - RELATED PARTY TRANSACTIONS

During the year, the Organization has entered into transactions with the Sopar-Bala Vikasa Foundation. The Organization has a significant influence on the Foundation. The operations, in the normal course of business and recorded at the exchange amount, include a contributions from the Foundation of \$25,000 (\$20,000 in 2016).

The Organization also concluded transactions with another not-for-profit organization in which the Organization holds an economic interest that manages the programs in India. The amount sent during the year totals \$1,239,383 (\$1,178,342 in 2016) and total expenses of \$1,271,482 (\$1,154,623 in 2016) were recognized. The transactions were made in the normal course of business and recorded at the exchange amount.

11 - FINANCIAL INSTRUMENTS

Financial risks

The Organization's main financial risk exposure are as follows.

Credit risk

The Organization is exposed to credit risk regarding the financial assets recognized in the statement of financial position. The Organization has determined that the financial asset with more credit risk exposure is the grant receivable from GAC and the advances to a not-for-profit organization in which the organization holds an economic interest since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Organization.

Sopar - Bala Vikasa

Notes to Financial Statements

March 31, 2017

11 - FINANCIAL INSTRUMENTS (Continued)

Market risk

The Organization's financial instruments expose it to market risk, in particular, currency risk, resulting from its operating :

– Currency risk:

The majority of the Organization's transactions are in Canadian dollars. Currency risk results from the Organization's charges denominated in foreign currency which are primarily in Rupees. As at March 31, 2017, the Organization is exposed to currency risk due to the advances to five-year program India denominated in Rupees totalling \$123,495 (\$155,594 as at March 31, 2016).

The Organization does not enter into arrangements to hedge the exchange risk to which it is exposed.

Carrying amount of financial assets by category

The Organization's financial assets, totalling \$745,342 (\$619,745 as at March 31, 2016), have all been classified as financial assets measured at amortized cost.

12 - RESTRICTED NET ASSETS

During the year, the Board transferred an amount of \$24,487 from the GAC Five-year program reserve to the unrestricted net assets.

Sopar - Bala Vikasa Schedules

Year ended March 31, 2017

	SCHEDULE A	
	<u>2017</u>	<u>2016</u>
	\$	\$
GAC - FIVE-YEAR PROGRAM		
Direct expenses in India	1,241,133	1,125,166
Administration fees - India	49,992	29,457
Direct expenses in Canada	86,869	102,492
Administration fees - Canada	<u>109,369</u>	<u>117,862</u>
	<u>1,487,363</u>	<u>1,374,977</u>
	SCHEDULE B	
	<u>2017</u>	<u>2016</u>
	\$	\$
GENERAL ADMINISTRATION		
Administration fees - Canadian program	1,217	1,773
Amortization of capital assets	919	650
Amortization of intangible assets	11	135
Bank charges	321	366
Fund raising activities	14,148	16,306
Life insurance	2,526	2,526
Office supplies and expenses	3,756	6,197
Professionnals fees	9,243	10,318
Rent	10,320	9,600
Salaries and employee benefits and service contracts	121,456	102,895
Telecommunications	<u>1,418</u>	<u>1,407</u>
	165,335	152,173
Minus : GAC contributions for administrative expenses	<u>109,369</u>	<u>117,862</u>
	<u>55,966</u>	<u>34,311</u>
	SCHEDULE C	
	<u>2017</u>	<u>2016</u>
	\$	\$
OTHER INCOME (CHARGES)		
Interest	12,555	19,260
Exchange gain (loss)	<u>7,091</u>	<u>(19,707)</u>
	<u>19,646</u>	<u>(447)</u>