Music for Life Institute (USA)

Financial Statements
For the Year Ended March 31, 2018
(Expressed in U.S. Dollars)

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Contents

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Independent Auditor's Report

To the directors of
Music for Life Institute (USA)

We have audited the accompanying financial statements of Music for Life Institute (USA), which comprise the statement of financial position as of March 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes and schedules to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation 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 auditing standards generally accepted in the United States of America. Those standards require that we 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Music for Life Institute (USA) as of March 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Summarized Comparative Information

We have previously audited Music for Life Institute (USA)'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA LLP

Los Angeles, California
January 29, 2019

Music for Life Institute (USA)
Statement of Financial Position
(Expressed in U.S. Dollars)
March 31, 2018
With comparative totals as at March 31, 2017

		2018		2017
Assets				
Current				
Cash	$	**267,841**	$	298,400
Accounts receivable		**794**		496
Prepaid expenses		**83,272**		93,667
Due from related party (Note 3)		**-**		2,436
Total current assets		**351,907**		394,999
Due from related party (Note 3)		**-**		9,871
Equipment (Note 2)		**8,434**		12,049
Total Assets	$	**360,341**	$	416,919
Liabilities and Net Assets				
Current				
Accounts payable and accrued expenses	$	**126,775**	$	130,443
Deferred revenue & other long-term liabilities		**17,000**		14,750
Total current liabilities		**143,775**		145,193
Commitments and contingencies (Note 6)				
Net Assets				
Unrestricted		**216,566**		271,726
Total Liabilities and Net Assets	$	**360,341**	$	416,919

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

Music for Life Institute (USA)
Statement of Activities and Changes in Net Assets
(Expressed in U.S. Dollars)
For the year ended March 31, 2018
With comparative totals for the year ended March 31, 2017

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and support				
Contributions	$ 608,865	$ 1,348,688	$ 1,957,553	$ 1,952,497
Concerts	568,020	-	568,020	808,311
Sales of merchandise (net) (Note 3)	150,186	-	150,186	202,613
Net assets released from restrictions	1,348,688	(1,348,688)	-	-
	2,675,759	-	2,675,759	2,963,421
Expenses				
Program services	2,143,382	-	2,143,382	2,428,080
Management and general	503,423	-	503,423	457,129
Fundraising	84,114	-	84,114	67,365
	2,730,919	-	2,730,919	2,952,574
Change in net assets	(55,160)	-	(55,160)	10,847
Net assets, beginning of year	271,726	-	271,726	260,879
Net assets, end of year	$ 216,566	$ -	$ 216,566	$ 271,726

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

Music for Life Institute (USA)
Statement of Functional Expenses
(Expressed in U.S. Dollars)
For the year ended March 31, 2018
With comparative totals for the year ended March 31, 2017

	Program Services	Management and General	Fundraising	2018	2017
Advertising and promotion	$ 39,399	$ 96,720	$ 799	$ 136,918	$ 52,890
Depreciation	2,655	3,403	-	6,058	5,164
Child medical and other care	7,444	-	-	7,444	23,542
Delivery, freight and postage	34,188	1,518	-	35,706	29,317
Direct grants	1,135,382	-	-	1,135,382	1,314,836
Equipment	11,397	2,233	-	13,630	12,590
Insurance	3,308	327	-	3,635	7,820
Interest and bank charges	54,345	5,275	12	59,632	42,880
Occupancy costs	23,465	8,966	-	32,431	26,186
Office and miscellaneous	86,404	10,972	-	97,376	85,525
Professional fees	-	29,172	-	29,172	8,793
Sub-contracts	95,525	-	-	95,525	83,720
Travel	187,830	2,450	5,586	195,866	218,188
Utilities	21,251	6,130	-	27,381	16,830
Wages and benefits	332,289	303,854	77,717	713,860	828,125
Overhead allocation- MFL Canada operating costs (Note 3)	23	-	-	23	150,092
Operating costs - FITW USA (Note 3)	40,237	12,019	-	52,256	27,819
Operating costs - MFL Canada (Note 3)	68,240	20,384	-	88,624	18,257
	$ 2,143,382	$ 503,423	$ 84,114	$ 2,730,919	$ 2,952,574

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

Music for Life Institute (USA)
Statement of Cash Flows
(Expressed in U.S. Dollars)
For the year ended March 31, 2018
With comparative totals for the year ended March 31, 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ **(55,160)**	$ 10,847
Item not affecting cash:		
Depreciation	**6,058**	5,164
(Increase) decrease in operating assets:		
Accounts receivable	**(298)**	9,676
Prepaid expenses	**10,395**	(86,088)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	**(3,668)**	26,272
Deferred contributions	**2,250**	14,750
	(40,423)	(19,379)
Cash flows from investing activity		
Purchase of equipment	**(2,443)**	-
Decrease (increase) in amounts due from related parties	**12,307**	(1,840)
Net decrease in cash	**(30,559)**	(21,219)
Cash, beginning of the year	**298,400**	319,619
Cash, end of the year	$ **267,841**	$ 298,400

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

1. Significant Accounting Policies

Nature and Purpose of Organization

Music for Life Institute (USA) (the "Organization") is a non-profit corporation registered under the Articles of Incorporation of the State of Delaware and is registered in the State of Washington. The Organization's primary programs are the operation of touring children's choirs and the provision of food, shelter and education for children living in West, East, and South Africa.

Basis of Accounting

The financial statements have been prepared using accounting principles generally accepted in the United States of America (U.S. GAAP) on the accrual basis of accounting.

The net assets, revenue, gains, and other support and expenses in the accompanying financial statements are classified based on the existence or absence of donor-imposed restrictions.

The Organization maintains its accounts in accordance with the principles and practices of fund accounting, whereby resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. The financial statements have been segregated into funds whose purposes are defined below.

Unrestricted funds

Unrestricted funds are net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated by the Board of Directors for specific purposes at any time. The Organization has one Board designated fund as follows:

ii) The Choir Fund reports on the assets held, funds received from and expenses related to choirs' performances, including training, education and care of the children, touring expenses, the Friends of the Choir program and the management thereof. The amount such at March 31, 2018 was $216,566 (2017 - $271,726).

Temporarily restricted funds

Temporarily restricted funds are net assets subject to donor-imposed restrictions that may or will be met with either actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization has three temporarily restricted funds:

i) The Sponsorship Fund reports on funds received and expenses related to child sponsorship programs operating in South, West and East Africa and the management thereof. There was no such amount at March 31, 2018.

1. Significant Accounting Policies (continued)

Basis of Accounting (continued)

ii) The Partners Fund reports on funds received and expenses related to the MFL Team's activities (funding received for groups involved in Africa Programs) and Building Personal Support activities (funding received for chaperones on tour). There was no designated amount at March 31, 2018.

iii) The Africa Programs Fund reports on funds received and expenses related to ongoing programs and capital projects and the management thereof. There was no designated amount at March 31, 2018.

Permanently restricted funds

Permanently restricted funds are net assets restricted by donors who stipulate that resources are to be maintained permanently but permit the Organization to expend all of the income (or other economic benefits) derived from the donated assets. The Organization did not have any permanently restricted assets at March 31, 2018.

Financial Instruments

Financial instruments are recorded at fair value at initial recognition.

In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

1. Significant Accounting Policies (continued)

Equipment

Purchased equipment is stated at cost less accumulated depreciation. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the equipment are capitalized.

Depreciation based on the estimated useful life of the asset is calculated as follows:

	Method	Rate
Choir equipment	Declining balance	30%
Computer equipment	Declining balance	30%
Furniture and equipment	Declining balance	30%

The declining balance method of calculating depreciation approximates the straight-line method.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. As of March 31, 2018 and 2017 there were no cash equivalents.

Impairment of Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected undiscounted future cash flow from the use of the assets and its eventual disposition is less than the carrying amount of the assets, an impairment loss is recognized and measured using the asset's fair value.

Revenue Recognition

Contributions are recorded as received and pledged. The Organization reports contributions of cash and other assets as restricted support if they are received with donor-imposed restrictions that limit the use of donated assets. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The majority of the Organization's contributions are received from individuals.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is authorized to issue donation receipts for income tax purposes.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization’s returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

1. Significant Accounting Policies (continued)

Donated Equipment, Services and Materials

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased.

Donated equipment and materials are recorded as support at their estimated fair value at the date of donation, and are reported as unrestricted support unless the donor restricts the donated asset to a specific purpose.

The Organization recognizes donated services that create or enhance non-financial assets or that require specialized skills, provided by individuals possessing those skills, which would typically need to be purchased if not provided by donation.

Use of Estimates

The preparation of financial statements using accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from management's best estimates as additional information becomes available in the future.

These estimates and assumptions are reviewed periodically and as adjustments become necessary they are reported in excess of revenue over expenses in the periods in which they become known.

Foreign Currency Translation

The financial statements have been presented in U.S. dollars (USD), the Organization's functional currency. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets are translated at the historic rate of exchange. Revenue and expenses are translated at the rate of exchange prevailing on the transaction date. Transaction gains and losses on translation or settlement are included in the determination of excess (deficiency) of revenue over expenses for the current period.

Concentration of Credit Risk

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Organization's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts and contributions receivable. It is management's opinion that the Organization is not exposed to significant credit risk.

1. Significant Accounting Policies (continued)

Concentration of Credit Risk (continued)

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. The Organization is exposed to this risk mainly in respect of its accounts payable.

The Organization's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. It is management's opinion that the Organization is not exposed to significant liquidity risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As described in notes 3 and 5, the Organization receives contributions, pays direct grants and loans funds to/from related parties in Canada, Africa, and the United Kingdom, and consequently is impacted by fluctuations in foreign exchange rates and the volatility of these rates. The Organization does not use financial hedge instruments to mitigate this risk. It is management's opinion that the Organization is not exposed to significant currency risk.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized in the statement of functional expenses. Expenses are charged to each program based on direct expenditures incurred, or where expenses are not directly chargeable, are allocated based on units of service or allocable space occupancy.

Recently Issued Accounting Pronouncements

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*

Summary: In May 2014, the FASB issued ASU 2014-09 which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To accomplish this objective, the standard requires five basic steps:

- identify the contract with the customer,
- identify the performance obligations in the contract,
- determine the transaction price,
- allocate the transaction price to the performance obligations in the contract, and
- recognize revenue when (or as) the entity satisfies a

1. Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

performance obligation.

Entities will generally be required to make more estimates and use more judgment than under current guidance, which will be highlighted for users through increased disclosure requirements.

Entities should evaluate whether the following contracts are subject to the ASU: memberships, subscriptions, products and services, royalty agreements, sponsorships, conferences and seminars, tuition, advertising, licensing, and federal and state grants and contracts. Management is in the process of evaluating the effect of this pronouncement on the financial statements.

Effective Date: FASB issued ASU 2015-14 that deferred the effective date of ASU 2014-09 until annual periods beginning after December 15, 2018 for the majority of nonprofit organizations.

ASU 2016-01, *Financial Instruments Overall (Subtopic 825-10)*

Summary: The provisions of this ASU address certain aspects of recognition, measurement, presentation, and the disclosure of financial instruments. The main impact on nonprofit organizations will be the removal of the disclosures related to the fair value of financial instruments at amortized cost. Management is in the process of evaluating the effect of this pronouncement on the financial statements.

Effective date: The provisions of the ASU are effective for fiscal years beginning after December 15, 2018. Early adoption may be selected for fiscal years beginning after December 15, 2017.

ASU 2016-02, *Leases (Topic 842)*

Summary: The new lease standard applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet/statement of financial position recognition of finance and operating leases is similar, but the pattern of expense recognition in the statement of activities/income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification.

The new lease standard requires a lessor to classify leases as either sales-type, direct financing or operating, similar to existing U.S. GAAP. Classification depends on the same five criteria used by lessees plus certain additional factors. The subsequent accounting treatment for all three lease types is substantially equivalent to existing U.S. GAAP for sales-type leases, direct financing leases, and operating leases. However, the new standard updates certain aspects of the lessor accounting model

1. Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

to align it with the new lessee accounting model, as well as with the new revenue standard under Topic 606. Management is in the process of evaluating the effect of this pronouncement on the financial statements.

Effective Date: The ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted.

ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*

Summary: ASU 2016-13 changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. Entities will be required to estimate credit losses over the entire contractual term of an instrument. Management is in the process of evaluating the effect of this pronouncement on the financial statements.

Effective Date: This ASU is effective for fiscal years beginning after December 15, 2020. Early adoption may be selected for fiscal years beginning after December 15, 2018. An entity must apply the amendments in this ASU through a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective except for certain exclusions

ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*

Summary: ASU 2016-14 improves the presentation of financial statements of not-for-profit entities. This is the first major change to the nonprofit financial statement model in over 20 years, which is intended to provide more useful information to donors, grantors and other users. The ASU impacts all not-for-profit entities in the scope of Topic 958. The ASU addresses the following key qualitative and quantitative matters:

- Net asset classes
- Investment return
- Expenses
- Liquidity and availability of resources
- Presentation of operating cash flows

In addition, the ASU includes illustrative financial statements of not-for-profit entities, which reflect changes made by the new standard. Management is in the process of evaluating the effect of this pronouncement on the financial statements.

Effective Date: The amendments in ASU 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early adoption is permitted.

ASU 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230)*

Summary: This ASU was issued to address diversity in practice with regard to the classification and presentation of changes in restricted cash on the statement of cash flows. The provisions of the ASU require that a

1. Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. To meet this requirement amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Management is in the process of evaluating the effect of this pronouncement on the financial statements.

Effective Date: The ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied on a retrospective transition method to each period presented.

ASU 2018-08, ***Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)***

Summary: This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction which will then govern the revenue and expense recognition methodology and timing of the transaction. Management is in the process of evaluating the effect of this pronouncement on the financial statements.

Effective Date: The ASU is effective for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. [If applicable: The ASU is effective for transactions in which the entity serves as a resource provider to annual periods beginning after December 15, 2019.

Allocation of Expenses

Certain administrative costs are allocated to restricted fund programs based on multiple factors with a target of 15% or less of restricted fund expenses to be comprised of administrative costs.

Certain administrative costs, including some wages and shared office expenses, which are not directly incurred in the entity, are allocated from Music for Life (Canada), a related party, based on months of touring in Canada vs. the USA for choir-related costs, # of gifts for donor services, and estimated % of time spent for administration and finance.

(Expressed in U.S. Dollars)

1. Significant Accounting Policies (continued)

Comparative Financial Information

The financial statements include certain prior year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to be in accordance with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the financial statements for the fiscal year ended March 31, 2017, from which the summarized information was derived.

Comparative Figures

Certain comparative figures have been reclassified, where applicable, to conform to the presentation used in the current year.

2. Equipment

	2018		2017	
	Cost	**Accumulated Depreciation**	Cost	Accumulated Depreciation
Choir equipment	**$ 74,131**	**$ 67,939**	$ 74,131	$ 65,285
Computer equipment	**36,676**	**34,635**	36,676	33,760
Furniture and equipment	**9,506**	**9,305**	9,506	9,219
	$ 120,313	**$ 111,879**	$ 120,313	$ 108,264
Net book value		**$ 8,434**		$ 12,049

3. Related Party Balances and Transactions

Certain of the directors of the Organization also serve as members of the Boards of Directors of the following parties, which are related by virtue of common control:

Friends in the West (USA):

Friends in the West (USA) is a non-profit corporation registered under the Articles of Incorporation of the State of Washington, is exempt from federal and state income taxes and is authorized to issue donation receipts for income tax purposes. The organization's primary purpose is the provision of capital assets for use in related parties' activities that generate funds for humanitarian programs in Africa.

Music for Life Institute (Canada):

Music for Life Institute (Canada) is incorporated under the Canada Corporations Act and is registered as an extra-provincial society under the Societies Act of British Columbia. The society is a non-profit charitable organization registered under the Income Tax Act of Canada and as such is exempt from income taxes and is authorized to issue donation receipts for income tax purposes. The society's primary purposes are the operation of touring children's choirs and the provision of food, shelter and education for children living in West, East, and South Africa.

3. Related Party Balances and Transactions (continued)

Friends in the West (Canada):

Friends in the West (Canada) is a non-profit organization incorporated under the Canada Corporations Act and is registered as an extra-provincial society under the Societies Act of British Columbia. The society is a non-profit charitable organization registered under the Income Tax Act of Canada and as such is exempt from income taxes and is authorized to issue donation receipts for income tax purposes. The society's primary purpose is the provision of capital assets for use in related parties' activities that generate funds for humanitarian programs in Africa.

African Children's Choir:

The African Children's Choir is a non-profit organization incorporated under the Canada Corporations Act. The organization meets the criteria of a non-profit organization under the Income Tax Act of Canada and as such is exempt from income taxes. The organization's objectives include sales and distribution of CD's, videos and DVD's of the African Children's Choir and other related products for promotion of humanitarian programs in Africa.

Music for Life Foundation (Canada):

Music for Life Foundation (Canada) is a public foundation registered in Canada to hold and manage assets and property used by certain related parties.

Other related parties are as follows:

Music for Life Academy Limited (UK):

Music for Life Academy Limited (UK) was established in 2001 for the primary purpose of conducting the fundraising activities of the Music for Life group in the United Kingdom.

Friends in the West International (UK):

Friends in the West International (UK) was formed as a company limited by guarantee in the United Kingdom on December 7, 1987 and has no share capital. The organization's primary purpose is the provision of food, shelter and education for children living in West, East and South Africa.

Music for Life Records Limited (UK):

Music for Life Records Limited (UK) is a general commercial company, established for the purposes of supporting fundraising activities of certain related charities, Friends in the West International (UK) and Music for Life Academy Limited (UK), through the sale of African Children's Choir merchandise, the profits of which are covenanted by Gift Aid by the directors of the company to Music for Life Academy Limited (UK).

Music for Life Trust (South Africa):

Music for Life Trust (South Africa) is a non-profit organization registered in South Africa. The organization's primary purpose is the provision of music therapy programs, food, shelter, and education for children living in South Africa.

(Expressed in U.S. Dollars)

3. Related Party Balances and Transactions (continued)

At the end of the year, the amounts due from related parties are as follows:

	2018	2017
Due from related parties		
Music for Life Academy Limited (UK)	$ -	$ 2,436
Music for Life Trust (South Africa)	-	9,871
	$ -	$ 12,307

Amounts due from related parties are non-interest bearing, unsecured, and have no specified terms of repayment.

The Organization and its related parties contribute funding to programs in Africa. During the year, the Organization entered into the following transactions with related parties:

	2018	2017
Received:		
African Children's Choir - net sale of merchandise	$ 150,186	$ 202,613
Paid:		
Friends in the West (USA) - operating costs	$ 52,256	$ 27,819
Music for Life Institute (Canada) - operating costs	23	150,092
Music for Life Institute (Canada) - distributions	88,624	18,257
	$ 140,903	$ 196,168

These 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.

4. Advertising

Advertising is recorded as an expense in the period incurred. Advertising expense for the years ended March 31, 2018 and 2017 was $136,918 and $52,890, respectively.

(Expressed in U.S. Dollars)

5. Direct Grants

	2018	2017
Ghana	$ -	$ 1,250
Kenya	**181,434**	126,273
Nigeria	**2,400**	5,601
Rwanda	**6,091**	17,630
South Africa	**3,686**	3,862
Sudan	**52,800**	58,080
Uganda	**888,971**	1,102,140
	1,135,382	1,314,836
Distributions to related parties (Note 3)	**88,624**	18,257
	$ 1,224,006	$ 1,333,093

6. Commitments and Contingencies

The Organization may be party to various legal proceedings in the ordinary course of operations, which, in the opinion of management, will not have a material adverse impact on its financial position or Statement of Activities and Changes in Net Assets.

7. Subsequent Events

Subsequent events have been evaluated through January 26, 2018 which is the date the financial statements were available to be issued. The Organization determined that no additional disclosures were required.

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Independent Auditor's Report on Supplementary Information

To the directors of
Music for Life Institute (USA)

Our audit of the financial statements included in the preceding section of this report was conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BDO USA LLP

January 29, 2019

Music for Life Institute (USA)
Schedule 1 - Schedule of Unrestricted Operations
(Expressed in U.S. Dollars)

For the years ended March 31	General	Choir	2018	2017
Revenue				
Contributions	$ 354,976	$ 253,889	$ 608,865	$ 414,280
Concert revenue	-	568,020	568,020	808,311
Sales of merchandise (net) (Note 3)	150,186	-	150,186	202,613
	505,162	821,909	1,327,071	1,425,204
Expenses				
Advertising and promotion	96,720	34,582	131,302	49,537
Depreciation	3,403	2,655	6,058	5,164
Child medical and other care	-	6,156	6,156	22,008
Delivery, freight and postage	1,518	25,047	26,565	11,161
Direct grants	-	59,520	59,520	54,335
Equipment	2,233	9,276	11,509	1,702
Insurance	327	2,617	2,944	4,846
Interest and bank charges	5,275	28,485	33,760	23,113
Occupancy costs	8,966	13,087	22,053	7,542
Office and miscellaneous	10,972	73,107	84,079	53,292
Professional fees	29,172	-	29,172	8,793
Sub-contracts	-	93,125	93,125	64,206
Travel	2,450	178,745	181,195	189,010
Utilities	6,130	14,880	21,010	6,538
Wages and benefits	303,854	207,075	510,929	500,843
Overhead allocation - MFL Canada operating costs (Note 3)	(4)	-	(4)	150,092
Operating costs - FITW USA (Note 3)	12,019	23,515	35,534	27,819
Operating costs - MFL Canada (Note 3)	20,384	39,880	60,264	18,257
	503,419	811,752	1,315,171	1,198,258
	$ 1,743	$ 10,157	$ 11,900	$ 226,946

Music for Life Institute (USA)
Schedule 2 - Schedule of Restricted Operations
(Expressed in U.S. Dollars)

For the years ended March 31	Sponsorship	Partners	Africa Programs	2018	2017
Revenue					
Contributions	$ 1,039,321	$ 59,575	$ 249,792	$ 1,348,688	$ 1,538,217
Expenses					
Advertising and promotion	5,616	-	-	5,616	3,353
Child medical and other care	-	-	1,288	1,288	1,534
Delivery, freight and postage	7,589	-	1,552	9,141	18,156
Direct grants	831,319	28,795	215,748	1,075,862	1,260,501
Equipment	2,121	-	-	2,121	10,888
Insurance	691	-	-	691	2,974
Interest and bank charges	25,860	-	12	25,872	19,767
Occupancy costs	10,378	-	-	10,378	18,644
Office and miscellaneous (recovery)	13,492	-	(195)	13,297	32,233
Sub-contracts	-	-	2,400	2,400	19,514
Travel	-	3,087	11,584	14,671	29,178
Utilities	6,371	-	-	6,371	10,292
Wages and benefits	82,266	42,948	77,717	202,931	327,282
Overhead allocation - MFL Canada operating costs (Note 3)	27	-	-	27	-
Operating costs - FITW USA (Note 3)	16,722	-	-	16,722	-
Operating costs - MFL Canada (Note 3)	28,360	-	-	28,360	-
	1,030,812	74,830	310,106	1,415,748	1,754,316
	$ 8,509	$ (15,255)	$ (60,314)	$ (67,060)	$ (216,099)
Total revenue (Schedule 1 and 2)	$ 1,544,483	$ 881,484	$ 249,792	$ 2,675,759	$ 2,963,421
Total expenses (Schedule 1 and 2)	$ 1,534,231	$ 886,582	$ 310,106	$ 2,730,919	$ 2,952,574