

LIFELINE MALAWI ASSOCIATION

Financial Statements
March 31, 2005



LIFELINE MALAWI ASSOCIATION

Statement of Financial Position

As at March 31, 2005

	Operating Fund \$	Capital Fund \$	Total 2004 / 2005 \$	Total 2003 / 2004 \$
Assets				
Current Assets				
Cash	61,286.92	617.00	61,903.92	53,594.34
Short Term Investments	60,000.00	60,000.00	120,000.00	54,000.00
Accounts receivable	6,909.82	-	6,909.82	2,744.50
Prepaid expenses	8,523.45	-	8,523.45	2,501.05
	<u>136,720.19</u>	<u>60,617.00</u>	<u>197,337.19</u>	<u>112,839.89</u>
Capital Assets (note 4)	-	300,419.79	300,419.79	187,824.90
	<u>136,720.19</u>	<u>361,036.79</u>	<u>497,756.98</u>	<u>300,664.79</u>
Liabilities				
Current liabilities				
Accounts payable	4,550.15	-	4,550.15	2,480.00
Deferred revenue	48,384.38	-	48,384.38	-
	<u>52,934.53</u>	<u>-</u>	<u>52,934.53</u>	<u>2,480.00</u>
Fund Balances				
Unrestricted	42,902.66	-	42,902.66	57,852.89
Internally restricted (note 5)	39,883.00	56,517.00	96,400.00	28,715.00
Externally restricted (note 6)	1,000.00	4,100.00	5,100.00	23,792.00
Invested in capital assets	-	300,419.79	300,419.79	187,824.90
	<u>83,785.66</u>	<u>361,036.79</u>	<u>444,822.45</u>	<u>298,184.79</u>
	<u>136,720.19</u>	<u>361,036.79</u>	<u>497,756.98</u>	<u>300,664.79</u>

Approved by the Board of Directors

_____ Director

_____ Director

LIFELINE MALAWI ASSOCIATION

Statement of Revenue and Expenses and Change in Fund Balances
For the year ended March 31, 2005

	Operating Fund \$	Capital Fund \$	Total 2004 / 2005 \$	Total 2003 / 2004 \$
Revenue				
Donations (note 2d)	734,376.99	62,830.21	797,207.20	437,443.41
Grants	-	-	-	5,000.00
Interest	662.96	-	662.96	899.41
Other	22,602.69	-	22,602.69	1,971.63
Total Revenue	757,642.64	62,830.21	820,472.85	445,314.48
Expenses				
Operating costs	389,555.89	-	389,555.89	244,079.71
Salaries and benefits	144,579.30	-	144,579.30	33,205.11
Service and repair	39,697.14	-	36,697.14	9,184.89
Administration	13,859.33	-	13,859.33	9,191.29
Promotional	12,325.18	-	12,325.18	12,360.91
Trade costs	7,491.90	-	7,491.90	813.40
Professional fees	2,847.87	-	2,847.87	18,863.11
Loss (gain) on disposal of assets	-	(997.70)	(997.70)	-
Amortization of capital assets	-	64,476.28	15,907.41	15,907.41
Total Expenses	610,356.61	63,478.58	673,835.19	343,605.83
Excess of revenue over expenses	147,286.03	(648.37)	146,637.66	101,708.65
Fund balances – Beginning of year	57,852.89	240,331.90	298,184.79	196,476.14
Interfund transfers (note 6)	(121,353.26)	121,353.26	-	-
Fund Balances – End of year	83,785.66	361,036.79	444,822.45	298,184.79

LIFELINE MALAWI ASSOCIATION

Statement of Cash Flows

For the year ended March 31, 2005

	2004 / 2005 \$	2003 / 2004 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses	146,637.66	101,708.65
Items not affecting cash		
Amortization	64,476.28	15,907.41
Loss / (gain) on disposal of assets	(997.70)	-
	<u>210,116.24</u>	<u>117,616.06</u>
Net change in non-cash working capital items affecting operations	40,266.81	(2,521.53)
	<u>250,383.05</u>	<u>115,094.53</u>
Financing and investing activities		
Additions to capital assets	(180,671.17)	(104,256.03)
Proceeds from sale of capital assets	4,597.70	-
	<u>(176,073.47)</u>	<u>(104,256.03)</u>
Increase (decrease) in cash	<u>74,309.58</u>	<u>10,838.50</u>
Cash and short-term investments – Beginning of year	107,594.34	96,755.84
Cash and short-term investments – End of year	<u>181,903.92</u>	<u>107,594.34</u>

LIFELINE MALAWI ASSOCIATION

Notes to Financial Statements

March 31, 2005

1. Nature of organization

Lifeline Malawi Association (“the Association”), a private and independent Canadian organization was established in 2002 and incorporated as a not-for-profit Association under the laws of the Government of Canada on January 29, 2003. It is a charitable organization, headquartered in Calgary, Alberta which provides life-transforming hope and healing to the nation of Malawi through a community based medical clinic delivery model, leveraging partnerships with other like-minded and complimentary/specialty organizations.

2. Significant accounting policies

a. Fund accounting

The Association follows the restricted fund method of accounting for contributions.

The Operating Fund reports the assets, liabilities, revenues and expense related to program delivery and administrative activities.

The Capital Fund reports assets, liabilities, revenues and expenses related to the Association’s capital assets.

b. Revenue recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund, or if no appropriate restricted fund exists, they are recognized in the Operating Fund using the deferral method of accounting. Unrestricted contributions are recognized as revenue in the Operating Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c. Donations in kind

During 2004/2005, \$358,849.30 (2003/2004 - \$246,057.31) of capital assets and operating costs (medicines) were contributed to the association.

d. Capital assets

Purchased capital assets are recorded in the Capital Fund at cost.

Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Amortization, which is reported in the Capital Fund, is computed using the straight-line method over the estimated useful lives of the assets as follows:

Infrastructure	5 years
Buildings	10 years
Equipment and furnishings	3 years
Vehicles	2 years

e. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

f. Investments

Investments are carried at cost, unless there is a decline in value which is considered to be other than temporary in which case the investment is written down to its new recoverable value.

g. Financial instruments

The Association's financial instruments recognized in the balance sheet consist of cash and short-term investments, accounts receivable, and accounts payable.

h. Gain / loss on foreign exchange

The Association records all Malawi transactions in Kwacha and converts to Canadian at the published exchange rate calculated at the end of each calendar month.

3. Cash and investments

Short-term investments are comprised of Guaranteed Investment Certificates. The cost of the short-term investments at March 31, 2005 was \$120,000.00, and the market value was \$120,450.00.

4. Capital assets

	Cost \$	Accumulated Amortization \$		2003 / 2004 Net \$
Infrastructure	53,545.46	10,008.22	43,537.24	14,875.18
Buildings	185,312.17	19,679.41	165,632.76	145,875.18
Equipment and furnishings	26,523.20	8,810.01	17,713.19	6,674.94
Vehicles	107,663.05	42,219.30	65,443.75	20,459.48
	373,043.88	80,707.94	292,326.94	187,824.90
Work in progress	8,092.85	-	8,092.85	-
	381,136.73	86,792.83	300,419.79	187,824.90

The land on which the Lifeline Malawi buildings are located is owned by the Pentecostal Assemblies of Malawi (P.A.O.M.), who have provided such lands in accordance with a duly executed partnership agreement.

5. Internally restricted fund balances

The Board of Directors has internally restricted \$96,400.00 (\$28,715.00 in 2003/2004) as a reserve for future operating and capital expenditures.

6. Externally restricted fund balances

Externally restricted fund balances of \$5,100.00 (\$23,792.00 in 2003/2004) are restricted for capital expenditures by private donors.

7. Monies used for fund raising

As required under Section 7(2) of the Alberta Charitable Fundraising regulation, the following amounts are disclosed:

Amounts paid as remuneration to employees whose principal duties involve fundraising – nil

Total direct expenses incurred for the purpose of soliciting contributions \$12,325.18 (\$12,360.91 in 2003/2004)