



Financial Statements

Jhamtse Canada

December 31, 2016

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## Independent auditor's report

Grant Thornton LLP  
Suite 501  
201 City Centre Drive  
Mississauga, ON  
L5B 2T4  
T +1 416 366 0100  
F +1 905 804 0509  
[www.GrantThornton.ca](http://www.GrantThornton.ca)

To the Members of  
**Jhamtse Canada**

We have audited the accompanying financial statements of **Jhamtse Canada** (the “Organization”), which comprise the statement of financial position as at December 31, 2016, the statements of financial activities and changes in capital 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 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 charitable organizations, Jhamtse Canada derives revenue from fundraising activities and public donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Jhamtse Canada. Therefore, we were not able to determine whether any adjustments might be necessary to donation and fundraising revenues, net surplus and cash flows from operations for the years ended December 31, 2016 and December 31, 2015, current assets as at December 31, 2016 and 2015, and changes in capital as at January 1, 2016, December 31, 2016, and December 31, 2015. Our audit opinion on the financial statements for the period ended December 31, 2015 was modified accordingly because of possible effects of this limitation in scope.

#### Qualified Opinion

In our opinion, except for the 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 Jhamtse Canada as at December 31, 2016, 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.



Mississauga, Canada  
March 13, 2017

Chartered Professional Accountants  
Licensed Public Accountants

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# Jhamtse Canada

## Statement of financial position

As at December 31, **2016**      2015

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### Assets

#### Current

Cash	\$ 94,176	\$ 59,068
Accounts receivable	789	2,047
Inventory (Note 4)	<u>731</u>	<u>2,572</u>
	<b>\$ 95,696</b>	<b>\$ 63,687</b>

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### Liabilities

#### Current

Payables and accruals	\$ <u>3,912</u>	\$ <u>13,451</u>
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### Capital

Surplus	<u>91,784</u>	<u>50,236</u>
	<b>\$ 95,696</b>	<b>\$ 63,687</b>

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On behalf of the Board

\_\_\_\_\_ Director \_\_\_\_\_ Director

See accompanying notes to the financial statements.

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**Jhamtse Canada****Statement of financial activities and changes in capital**Year ended December 31, **2016** **2015**

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Revenue		
Contributions	\$ 75,562	\$ 104,367
Fundraising events, net (Schedule 1)	3,833	3,353
DVD sales, net (Schedule 2)	<u>7,260</u>	<u>9,473</u>
	<u>86,655</u>	<u>117,193</u>
Expenditures		
Bank charges	942	766
Insurance	-	842
Office	416	101
Professional fees	3,459	2,191
Supplies and marketing	500	2,067
Travel	3,492	6,555
Website	<u>618</u>	<u>1,247</u>
	<u>9,427</u>	<u>13,769</u>
Surplus before programming	77,228	103,424
Programming		
Jhamtse Gatsal Children's Community (Note 5)	35,680	43,000
Child Haven Nepali Relief (Note 5)	<u>-</u>	<u>3,224</u>
	<u>35,680</u>	<u>46,224</u>
Net surplus for the year	\$ <u>41,548</u>	\$ <u>57,200</u>
Surplus (deficiency), beginning of year	\$ 50,236	(6,964)
Net surplus for the year	<u>41,548</u>	<u>57,200</u>
Surplus, end of year	\$ <u>91,784</u>	\$ <u>50,236</u>

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See accompanying notes to the financial statements.

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## Jhamtse Canada Statement of cash flows

Year ended December 31,	2015	2014
Cash from operating activities		
Net surplus in the year	\$ 41,548	\$ 57,200
Change in non-cash working capital		
Accounts receivable	1,258	1,137
Inventory	1,841	(2,572)
Payables and accruals	<u>(9,539)</u>	<u>3,303</u>
	<u>35,108</u>	<u>59,068</u>
Increase in cash	35,108	59,068
Cash, beginning of year	<u>59,068</u>	-
Cash, end of year	\$ <u>94,176</u>	\$ <u>59,068</u>

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See accompanying notes to the financial statements.

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# **Jhamtse Canada**

## **Notes to the financial statements**

December 31, 2016

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### **1. Purpose of the organization**

Jhamtse Canada (the "Organization") was incorporated on March 3, 2014 as a non-profit corporation under the Canada Not-for-Profit Corporations Act.

Effective January 1, 2015, the Organization became a registered charity. As a non-profit corporation and as a charity, the Organization is exempt from income taxes.

The Organization's purpose is to:

- a) Raise awareness in Canada of the need to relieve poverty for children in developing countries through charitable donations and support of organizations in the developing countries that perform these essential services.
- b) Engage with charitable organizations and non-government agencies that provide the basic necessities of life in developing countries to determine a project or projects for which the Organization can provide financial assistance. These projects include capital support of basic shelter dwellings; renewable energy and agriculture projects.
- c) Provide financial support for operational costs for children's basic necessities of life and education.
- d) Monitor the implementation of the projects by the charitable organizations and non-government agencies and report the progress to the various contributors to the Organization.
- e) Provide financial assistance to meritorious students in developing countries whose financial situation prevents them from completing studies at college or university.
- f) To edit, produce and circulate DVDs, calendars, and other fundraising materials, to carry on the business as publishers and sellers, as well to apply for and obtain copyrights, to further the purposes of the Organization.

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### **2. Summary of significant accounting policies**

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies.

#### **Revenue recognition**

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the period in which the related expenditures 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.

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# **Jhamtse Canada**

## **Notes to the financial statements**

December 31, 2016

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### **2. Summary of significant accounting policies (continued)**

#### **Cash and equivalents**

Cash and cash equivalents include cash on hand, balances with banks and short term investments with maturities at acquisition of six months or less.

#### **Inventory**

The cost of inventory comprises all costs of purchase incurred in bringing the inventories to their present location and condition. The costs of purchase comprise production costs, licensing costs and shipping costs.

Inventories are measured at the lower of cost and net realizable value, with cost being determined using the first-in, first-out method ("FIFO"). Net realizable value is the estimated selling price in the ordinary course of business.

Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable. The cost of inventories may not be recoverable if those inventories have been damaged, become obsolete, selling prices have declined or their estimated costs of completion or the estimated costs to be incurred to make the sale have increased.

The amount of any write-downs of inventories to net realizable value and all losses of inventories are recognized as an expense, and included in cost of sales, in the period the write-down or loss occurs.

When the circumstances that previously caused the inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of a changed economic circumstance, the amount of write-down is reversed in the period of change.

The amount of any reversal of write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories expense in the period in which the reversal occurs. The reversal is limited to the amount of the original write-down.

#### **Contributed services**

Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

#### **Financial Instruments – recognition and measurement**

The Organization considers any contract creating a financial asset or liability as a financial instrument, except in limited circumstances. The Organization's financial instruments are: cash, accounts receivable, and payables.

##### *Initial measurement*

The Organization's financial instruments obtained in arm's length transactions are initially measured at their fair value.

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# **Jhamtse Canada**

## **Notes to the financial statements**

December 31, 2016

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### **2. Summary of significant accounting policies (continued)**

#### **Financial Instruments (continued)**

##### *Subsequent measurement*

The Organization subsequently measures all of its financial assets and financial liabilities at cost or amortized cost less any reduction for impairment.

The Organization regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Organization determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of financial activities. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

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### **3. Related party transactions and balances**

During the year ended December 31, 2016, Directors of the Organization incurred expenses on behalf of the Organization totalling \$6,570 (2015 - \$21,450), of which a balance of \$112 (2015 - \$8,815) remains payable at December 31, 2016 and is included in payables and accruals.

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### **4. Inventory**

Inventory is comprised of "Tashi and the Monk" DVDs available for sale.

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### **5. Programming**

#### **Jhamtse Gatsal Children's Community**

The primary outreach initiative of the Organization is to support Jhamtse Gatsal Children's Community. Jhamtse Gatsal (jhaam'-tsay gah'-tsal) is Tibetan for "garden of love and compassion." Jhamtse Gatsal is a community, a school, and a home for more than 85 children ranging in age from toddler to adolescent. Jhamtse Gatsal is in the district of Tawang in Arunachal Pradesh, India. The children, all of whom have a background of poverty and adversity, come from nearby villages. At Jhamtse Gatsal, the children are provided with a secure and loving home, including nurturing houseparents, good food, clothing, and medical care, and an excellent academic and practical education.

#### **Child Haven Nepali Relief**

The Organization accepted donations during 2015 specifically for Nepal earthquake relief efforts. On April 25, 2015, a major earthquake occurred in Nepal. The funds raised were provided to Child Haven International to use to contribute to its Nepal-based programming.

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# **Jhamtse Canada**

## **Notes to the financial statements**

December 31, 2016

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### **6. Financial assets and financial liabilities**

The Organization's main financial instrument exposure is detailed as follows:

#### **Liquidity risk**

Liquidity risk is the risk that the organization will not be able to meet its obligations associated with financial liabilities. As the Organization currently has positive working capital this risk is considered low. There has been no change in the exposure from prior year.

#### **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 in the event of non-performance by counterparties in connection with its accounts receivable. The maximum exposure to credit risk is the carrying value of accounts receivable on the statement of financial position. Management believes concentrations of credit risk with respect to amounts receivable are limited due to the nature of the receivables.

#### **Other risks**

Management believes that the Organization is not exposed to significant interest rate, currency or market risks related to its financial instruments.

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# Jhamtse Canada

## Schedules to the financial statements

December 31, 2016

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### Schedule 1 – Schedule of Fundraising events

Year ended December 31	2016	2015
<b>Revenue</b>		
Sponsorships	\$ -	4,125
Ticket sales	3,950	5,640
Merchandise	-	1,175
	<u>3,950</u>	<u>10,940</u>
<b>Direct expenses</b>		
Event costs	<u>117</u>	<u>7,587</u>
<b>Fundraising event revenue, net</b>	<u>\$ 3,833</u>	<u>\$ 3,353</u>

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### Schedule 2 – Schedule of DVD sales

Year ended December 31	2016	2015
<b>Revenue</b>		
DVD sales	\$ <u>16,974</u>	\$ <u>26,303</u>
<b>Direct expenses</b>		
Production costs	2,441	8,188
Director royalties	4,620	4,230
Shipping costs	2,382	3,213
Processing costs	<u>271</u>	<u>1,199</u>
	<u>9,714</u>	<u>16,830</u>
<b>DVD sales revenue, net</b>	<u>\$ 7,260</u>	<u>\$ 9,473</u>