

THE ART OF LIVING FOUNDATION
FINANCIAL STATEMENTS

DECEMBER 31, 2017



DUPONT VENDETTA CPA INC.
Société de comptables professionnels agréés

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INDEPENDENT AUDITOR'S REPORT

To the Directors of the **Art of Living Foundation**,

We have audited the accompanying financial statements of the **Art of Living Foundation**, which comprise the balance sheet as at December 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation 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 I 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 assessment of the risks of material misstatement of the financial, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide for our audit opinion.

Basis for qualified opinion

In common with many charitable organizations, the organization derives revenue from fundraising, donations and other sources, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our audit of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses and net assets.

Qualified opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the financial statements of the **Art of Living Foundation** for the year ended December 31, 2017 are prepared, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

Dupont Vendette CPA Inc.

Dupont Vendette CPA Inc. (1)
November 2nd, 2018

(1) CPA auditor, CA, public accountancy permit no. A107932

THE ART OF LIVING FOUNDATION
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2017

	2017	2016
REVENUES		
Courses	\$ 1,507,892	\$ 1,171,289
Donations:		
General	499,087	344,791
India programs	61,072	154,482
Books, tapes and other products	56,406	59,459
Other income	71,950	262,790
	2,196,407	1,992,811
EXPENSES		
Courses (schedule A)	911,329	765,795
International Retreat Centre (Quebec) (schedule A)	740,405	654,147
India programs	-	90,520
Cost of sales (books, tapes, videos, etc)	26,731	26,463
Professional fees	23,622	33,629
Administrative expenses (schedule A)	45,281	35,327
Interest, credit cards and bank charges	69,870	51,187
Interest on bank loan	47,512	46,481
Depreciation of capital assets	285,861	293,786
	2,150,611	1,997,335
EXCESS OF REVENUES OVER EXPENSES	\$ 45,796	\$ (4,524)

See Notes to financial statements

BALANCE SHEET
DECEMBER 31, 2017

	2017	2016
ASSETS		
Current assets		
Cash	\$ 441,125	\$ 560,764
Short term investments (Note 3)	235,000	10,000
Accounts receivable (Note 4)	134,713	113,458
Inventories of tapes and books	22,431	26,759
Prepaid expenses and deposits	7,256	3,537
	<hr/> 840,525	<hr/> 714,518
Capital assets (Note 5)	5,351,139	5,460,311
	<hr/> \$ 6,191,664	<hr/> \$ 6,174,829
LIABILITIES		
Current liabilities		
Bank loan (Note 6)	\$ 1,220,375	\$ 1,259,486
Accounts payable	55,740	45,590
Deposits on land sales (Note 7)	276,899	276,899
	<hr/> 1,553,014	<hr/> 1,581,975
NET ASSETS		
Net assets invested in capital assets	5,351,139	5,460,311
Unrestricted net assets	(712,489)	(867,457)
	<hr/> 4,638,650	<hr/> 4,592,854
LIABILITIES AND NET ASSETS	<hr/> \$ 6,191,664	<hr/> \$ 6,174,829

See Notes to financial statements

ON BEHALF OF THE BOARD

Bhaves Paluri, President

Sheila M. ..., Secretary

**THE ART OF LIVING FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Invested in capital assets	Unrestricted	2017 Total	2016 Total
Balance, beginning of year	\$ 5,460,311	\$ (867,457)	\$ 4,592,854	\$ 4,597,374
Excess of revenues over expenses	(285,861)	332,657	46,796	(4,520)
Investment in capital assets	176,689	(176,689)		
Balance, end of year	\$ 5,351,139	\$ (711,489)	\$ 4,639,650	\$ 4,592,854

See Notes to financial statements

**THE ART OF LIVING FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2017**

	2017	2016
Operating activities		
Excess of revenues over expenses	\$ 45,796	\$ (4,524)
Depreciation of capital assets	285,861	293,786
	<hr/> 331,657	<hr/> 289,262
Net variance in non-cash working capital balances related to operations		
Accounts receivable	(21,255)	(52,024)
Inventories	4,328	(6,949)
Prepaid expenses	(3,719)	7,323
Accounts payable and deposits on land sales	10,150	5,305
	<hr/> 321,161	<hr/> 242,917
Investing activities		
Short-term deposits with maturity date exceeding three months	(225,000)	150,000
Purchase of fixed assets	(176,689)	(83,993)
	<hr/> (401,689)	<hr/> 66,007
Financing activities		
Bank loan	(39,111)	(172,493)
	<hr/> (39,111)	<hr/> (172,493)
Increase (decrease) in cash	(119,639)	136,431
Cash and cash equivalents, beginning of year	560,764	424,333
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 441,125	\$ 560,764
Cash and cash equivalents consist of:		
Cash	441,125	560,764
Short-term investments with maturity dates less than three months	-	-
	<hr/> \$ 441,125	<hr/> \$ 560,764

See Notes to financial statements

1. Incorporation and business of the Company

The organization is incorporated under Part II of the Canada Corporations Act. It is a tax free not-for-profit organization. Its main objective is to advance the teachings of the Vedas through courses, workshops, lectures, seminars, satsangs and through the production and dissemination of written publications, audio and video-cassettes.

The organization is registered with Revenue Canada as a charitable organization under charity registration number 132743527RR0001.

2. Significant accounting policies

Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standard for not-for-profit organizations (ASNPO) requires management to make estimates and assumptions that can affect the carrying amount of certain assets and liabilities, income and expenses and the information disclosed in the notes to the financial statements. These estimates and assumptions are based on management's knowledge of current developments and of actions which could be taken in the future. Items in future financial statements could differ from current estimates as a result of changes in these assumptions.

Revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions 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.

Courses fees are recognized as revenue when the seminars are held.

Other income accounts for revenues derived from various events held for fund raising purposes. Revenue is recognized when events are held.

Financial assets and liabilities

The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and liabilities at amortized cost

Financial assets measured at amortized cost include cash, accounts receivable and short term investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Inventory Valuation

Inventories are valued at lower of cost and replacement cost, the cost being determined using the first in first out basis.

Capital assets

Capital assets are recorded at cost. Depreciation is calculated using the diminishing balance method at the following rates;

Dam	4%
Building	5%
Road and Parking	8%
Machinery and equipment	20%
Furniture and fixtures	20%
Vehicle	30%
Electric power lines	10%

Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term investments having a maturity of three months or less.

Foreign currency translation

Monetary items are translated at the rate of exchange in effect at the balance sheet date. Revenues and expenses are converted at rates prevailing at the date of the transactions. Gains or losses related to foreign currency translation are included in income or expenses for the year.

Contributed services

Volunteers contribute their time to assist the organization in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

3. Short term investments

Short term investments, accounted for at cost and with a market value equal to cost, consist of a cashable guaranteed investment certificate in the amount of \$225,000, bearing interest at a rate of 0,50% with a maturity date of August 2018 and a guaranteed investment certificate in the amount of \$10,000 with a maturity date in October 2018, bearing interest at a rate of 1,25%.

A movable hypothec, in the amount of \$10,000, constituting a first ranking interest in the guaranteed investment certificate was signed to secure a \$12,500 credit facility on credit cards.

4. Accounts receivable

	2017	2016
Sales tax recoverable	92,445	90,458
Accrued interests and other receivables	42,268	23,000
	<u>134,713</u>	<u>113,458</u>

Other accounts receivable include an amount of \$36,035 from a related party (\$10,000\$ in 2016)

5. Capital assets

	Cost	Accumulated depreciation	Book value 2017	Book value 2016
Land	312,146	-	312,146	312,146
Dam	31,209	14,283	16,926	17,631
Buildings	7,981,584	3,060,340	4,921,244	5,016,675
Roads and Parkings	91,607	75,928	15,679	17,042
Machinery and equipment	58,566	52,189	6,377	7,971
Furniture and fixtures	305,696	260,007	45,689	55,204
Vehicles	117,732	92,250	25,482	25,202
Electric power lines	47,296	39,700	7,596	8,440
	<u>8,945,836</u>	<u>3,594,697</u>	<u>5,351,139</u>	<u>5,460,311</u>

6. Bank loan

The bank loan consists of a term loan in the amount of \$1,081,781, bearing interest at the rate of 3.53%, repayable by monthly payments of \$18,313 including interest and a term loan in the amount of \$138,594, bearing interest at the bank's preferred lending rate plus 2,52%, repayable by monthly payments of \$6,643 including interest. The loans are secured by a movable hypothec in the amount of \$2,500,000 constituting a first ranking security interest in the universality of all present and future assets and by an immovable hypothec in the amount of \$2,500,000 constituting a first ranking security on the lands and improvements located in St-Mathieu, Quebec. The loans have a 12 months term and are due on May 1st, 2018 and February 2nd 2018.

7. Deposits on land sales

The organization has agreed to sell part of its land in St-Mathieu, Quebec. The future land owners have contributed deposits equal to the purchased price of the lots. The cost of these lots to the organization is \$22,923. Gains on the sales of these lots will be recognized in the income statement when the sales are concluded.

8. Commitments

The organization conducts part of its operations in leased premises. The future minimum payments under operating leases, maturing in July 2019, amount to \$94,198 of which \$60,142 is due in 2018 and \$33,446 in 2019.

9. Financial instruments

The fair value of current financial assets and liabilities is approximately equal to their carrying value given their short-term nature.

Foreign exchange risk

The organization, from time to time, purchases goods from foreign suppliers giving rise to exposure to foreign exchange fluctuations. However, foreign exchange risk is not significant.

Interest rate risk

Interest rate risk refers to adverse consequences of interest rate changes on the organization's cash flows, financial position, investment income and interest expense. The bank loan bears a fixed interest rate until May 1st, 2017 and exposes the organization to interest rate changes. However, a change in the interest rate would not have a significant impact on the operations and financial position of the organization.

**THE ART OF LIVING FOUNDATION
SCHEDULE A - OTHER INFORMATION
YEAR ENDED DECEMBER 31, 2017**

	2017	2016
COURSES		
Salaries and fringe benefits	\$ 176,215	\$ 134,726
Advertising	63,324	39,794
Ayurvedic	68,796	54,887
Food	86,864	61,998
Audio, video and other course material	76,857	73,393
Office supplies	6,284	4,166
Photocopies and printed material	13,771	18,953
Postage	535	484
Sanitary services	4,784	4,027
Rental and related expenses	314,499	263,664
Telecommunications	17,383	21,614
Transportation	22,661	32,315
Travelling	59,356	55,774
	\$ 911,329	\$ 765,795
INTERNATIONAL RETREAT CENTER (QUEBEC)		
Salaries and fringe benefits	\$ 208,416	\$ 153,062
Car gas, repair, insurance and registration	30,777	41,048
Electricity	35,445	26,945
Food	56,656	55,941
Gas and propane	47,034	41,449
Insurance	97,514	99,657
Maintenance (road, parking, tools, sanitary, appliances)	30,736	41,667
Office and kitchen supplies	10,266	5,781
Medical, pharmacy and dentist	7,008	5 255
Repairs and maintenance - building	78,564	71,983
Snow removal and landscaping	36,580	25,913
Taxes, permits and licences	43,412	61,441
Telecommunications	57,997	24,005
	\$ 740,405	\$ 654,147
ADMINISTRATIVE EXPENSES		
Administration expenses	\$ 3,570	\$ 3,938
Office supplies	1 417	368
Postage	1 112	868
Telecommunications	944	1 126
Advertising	18,965	16,542
Travel expenses	14,345	5,976
Office equipment maintenance	4,928	6,509
	\$ 45,281	\$ 35,327

See Notes to financial statements