



**Music for Life Institute (USA)
Financial Statements
For the Year Ended March 31, 2017
(Expressed in U.S. Dollars)**

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Music for Life Institute (USA)
Financial Statements
For the Year Ended March 31, 2017
(Expressed in U.S. Dollars)

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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, 2017, 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, 2017, 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.

Emphasis of Matter

As described in Note 2, Music for Life Institute (USA) previously presented a negative balance of temporarily restricted net assets on the statement of financial position for the period ended March 31, 2016, which is due to the over allocation of donor restricted net assets. Music for Life Institute (USA) has changed the presentation as of March 31, 2017 and restated the 2016 temporarily restricted net assets to show all net assets as unrestricted. Our opinion on the 2017 financial statements is not modified with respect to this matter.

Other Matter

Summarized Comparative Information

The financial statements of Music for Life Institute (USA) for the year ended March 31, 2016, before restatement for the matter described in the Emphasis of Matter paragraph, were audited by other auditors, whose report dated August 24, 2016 expressed an unmodified audit opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA LLP

January 26, 2018

Music for Life Institute (USA)
Statement of Financial Position
(Expressed in U.S. Dollars)

March 31	2017	2016
		(Restated Note 2)
Assets		
Current		
Cash	\$ 298,400	\$ 319,619
Accounts receivable	496	10,172
Prepaid expenses	93,667	7,579
Due from related party (Note 4)	2,436	-
Total current assets	394,999	337,370
Due from related party (Note 4)	9,871	10,467
Equipment (Note 3)	12,049	17,213
Total Assets	\$ 416,919	\$ 365,050
Liabilities and Net Assets		
Current		
Accounts payable and accrued expenses	\$ 130,443	\$ 104,171
Deferred contributions	14,750	-
Total current liabilities	145,193	104,171
Commitments and contingencies (Note 7)		
Net Assets		
Unrestricted	271,726	260,879
Total Liabilities and Net Assets	\$ 416,919	\$ 365,050

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	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
				(As Restated)
Revenue and support				
Contributions (Note 4)	\$ 646,160	\$ 1,508,950	\$ 2,155,110	\$ 1,514,922
Concert revenue	808,311	-	808,311	863,354
Net assets released from restrictions	1,508,950	(1,508,950)	-	-
	2,963,421	-	2,963,421	2,378,276
Expenses				
Program services	2,428,080	-	2,428,080	2,019,339
Management and general	457,129	-	457,129	305,587
Fundraising	67,365	-	67,365	6,501
	2,952,574	-	2,952,574	2,331,427
Change in net assets	10,847	-	10,847	46,849
Net assets, beginning of year (restated - Note 2)	260,879	-	260,879	214,030
Net assets, end of year	\$ 271,726	\$ -	\$ 271,726	\$ 260,879

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	Program Services	Management and General	Fundraising	2017	2016
Advertising and promotion	\$ 53,661	\$ 330	\$ 86	\$ 54,077	\$ 16,621
Depreciation	2,041	3,123	-	5,164	7,376
Child medical and other care	23,556	-	-	23,556	8,458
Delivery, freight and postage	31,914	15	5,595	37,524	28,671
Direct grants	1,333,094	-	-	1,333,094	1,104,483
Equipment	27,898	309	265	28,472	20,228
Insurance	11,685	2,513	77	14,275	19,519
Interest and bank charges	39,947	1,821	509	42,277	50,257
Occupancy costs	30,464	43,020	480	73,964	82,713
Office and miscellaneous	121,439	12,624	993	135,056	59,054
Professional fees	12,213	6,779	-	18,992	14,709
Sub-contracts	111,892	-	502	112,394	105,510
Travel	214,361	5,882	145	220,388	199,354
Utilities	24,951	-	265	25,216	15,006
Wages and benefits	388,964	380,713	58,448	828,125	599,468
	\$ 2,428,080	\$ 457,129	\$ 67,365	\$ 2,952,574	\$ 2,331,427

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	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 10,847	\$ 46,849
Item not affecting cash:		
Depreciation	5,164	7,376
(Increase) decrease in operating assets:		
Accounts receivable	9,676	59,602
Prepaid expenses	(86,088)	(1,450)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	26,272	(30,151)
Deferred contributions	14,750	-
	<u>(19,379)</u>	<u>82,226</u>
Cash flows from investing activity		
Increase in amounts due from related parties	<u>(1,840)</u>	<u>(1,644)</u>
Net (decrease) increase in cash	(21,219)	80,582
Cash, beginning of the year	<u>319,619</u>	<u>239,037</u>
Cash, end of the year	<u>\$ 298,400</u>	<u>\$ 319,619</u>

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

Music for Life Institute (USA) Notes to Financial Statements (Expressed in U.S. Dollars)

March 31, 2017

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 designated at March 31, 2017 was \$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 two temporarily restricted funds:

- i) The Sponsorship Fund reports on funds received and expenses related to child sponsorship programs operated in West and East Africa and the management thereof. The amount designated at March 31, 2017 was \$nil.

Music for Life Institute (USA)
Notes to Financial Statements
(Expressed in U.S. Dollars)

March 31, 2017

1. Significant Accounting Policies (continued)

**Basis of Accounting
(continued)**

ii) The Partners Fund reports on funds received and expenses related to the Organization's MFL Teams activities (funding received for groups involved in field projects) and Building Personal Support activities (funding received for chaperones on tour). The amount designated at March 31, 2017 was \$nil.

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, 2017.

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.

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.

Music for Life Institute (USA) Notes to Financial Statements (Expressed in U.S. Dollars)

March 31, 2017

1. Significant Accounting Policies (continued)

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, 2017 and 2016 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	<p>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.</p> <p>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.</p>
Donated Equipment, Services and Materials	<p>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.</p> <p>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.</p> <p>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.</p>

Music for Life Institute (USA) Notes to Financial Statements (Expressed in U.S. Dollars)

March 31, 2017

1. Significant Accounting Policies (continued)

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.

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.

Music for Life Institute (USA) Notes to Financial Statements (Expressed in U.S. Dollars)

March 31, 2017

1. Significant Accounting Policies (continued)

Concentration of Credit Risk (continued)

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 4 and 6, 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 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.

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.

Music for Life Institute (USA) Notes to Financial Statements (Expressed in U.S. Dollars)

March 31, 2017

1. Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

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.

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 to align it with the new lessee accounting model, as well as with the new revenue standard under Topic 606.

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

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

Music for Life Institute (USA) Notes to Financial Statements (Expressed in U.S. Dollars)

March 31, 2017

1. Significant Accounting Policies (continued)

Recently Issued
Accounting
Pronouncements
(continued)

- ◆ 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.

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 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.

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.

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, 2016, 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.

Music for Life Institute (USA)
Notes to Financial Statements
(Expressed in U.S. Dollars)

March 31, 2017

2. Prior Period Restatement

The prior period figures have been restated to show all net assets as unrestricted. Previously there was a negative balance presented as temporarily restricted. The effect of the restatement is as follows:

	Original As of March 31, 2016	Adjustment	Restated As of March 31, 2016
Statement of financial position:			
Net assets, unrestricted	\$ 338,047	\$ (77,168)	\$ 260,879
Net assets, temporarily restricted	\$ (77,168)	\$ 77,168	\$ -

3. Equipment

	2017		2016	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Choir equipment	\$ 74,131	\$ 65,285	\$ 74,131	\$ 61,494
Computer equipment	36,676	33,760	36,676	32,510
Furniture and equipment	9,506	9,219	9,506	9,096
	\$ 120,313	\$ 108,264	\$ 120,313	\$ 103,100
Net book value	\$ 12,049		\$ 17,213	

4. 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.

Music for Life Institute (USA) Notes to Financial Statements (Expressed in U.S. Dollars)

March 31, 2017

4. 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.

Music for Life Institute (USA)
Notes to Financial Statements
(Expressed in U.S. Dollars)

March 31, 2017

4. Related Party Balances and Transactions (continued)

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

	<u>2017</u>	<u>2016</u>
Due from related parties		
Music for Life Academy Limited (UK)	\$ 2,436	\$ -
Music for Life Trust (South Africa)	9,871	10,467
	<u>\$ 12,307</u>	<u>\$ 10,467</u>

Amounts due from related parties are non-interest bearing, unsecured, and have no specified terms of repayment. However, the amount due from Music for Life Academy Limited (UK) is expected to be repaid in the next fiscal year while the amount due from Music for Life Trust (South Africa) is not expected to be repaid in the next fiscal year.

Music for Life Institute (USA)
Notes to Financial Statements
(Expressed in U.S. Dollars)

March 31, 2017

4. Related Party Balances and Transactions (continued)

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:

	2017	2016
Received:		
African Children's Choir - contributions	\$ 202,613	\$ 75,084
Music for Life Institute (Canada) - contributions	-	13,183
	\$ 202,613	\$ 88,267
	2017	2016
Paid:		
Friends in the West International (UK) - contributions	\$ -	\$ 9,635
Friends in the West International (USA) - operating cost recoveries	27,819	51,952
Music for Life Institute (Canada) - operating cost recoveries	18,257	97,826
	\$ 46,076	\$ 159,413

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.

5. Advertising

Advertising is recorded as an expense in the period incurred. Advertising expense for the years ended March 31, 2017 and 2016 was \$42,064 and \$8,855, respectively.

6. Direct Grants

	2017	2016
Ghana	\$ 1,250	\$ 11,305
Kenya	126,273	167,436
Nigeria	5,601	4,222
Rwanda	17,631	-
South Africa	3,862	1,520
Sudan	58,080	60,508
Uganda	1,102,140	752,030
	1,314,837	997,021
Direct grants to related parties (Note 4)	46,076	159,413
	\$ 1,360,913	\$ 1,156,434

Music for Life Institute (USA)
Notes to Financial Statements
(Expressed in U.S. Dollars)

March 31, 2017

7. 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.

8. 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.

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 26, 2018

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

For the year ended March 31	General	Choir	2017	2016
Revenue				
Contributions	\$ 471,504	\$ 174,656	\$ 646,160	\$ 389,395
Concert revenue	-	808,311	808,311	863,354
	<u>471,504</u>	<u>982,967</u>	<u>1,454,471</u>	<u>1,252,749</u>
Expenses				
Advertising and promotion	330	50,161	50,491	15,877
Depreciation	2,295	2,869	5,164	7,376
Child medical and other care	-	22,022	22,022	7,112
Delivery, freight and postage	15	19,353	19,368	10,487
Direct grants	-	54,336	54,336	110,669
Equipment	309	17,275	17,584	20,228
Insurance	2,513	8,788	11,301	14,567
Interest and bank charges	1,821	20,689	22,510	20,816
Occupancy costs	43,020	12,300	55,320	82,714
Office and miscellaneous	12,624	83,279	95,903	56,801
Professional fees	6,779	12,213	18,992	14,709
Sub-contracts	-	92,880	92,880	87,030
Travel	5,882	185,328	191,210	193,676
Utilities	-	14,924	14,924	12,761
Wages and benefits	380,713	120,130	500,843	482,953
	<u>456,301</u>	<u>716,547</u>	<u>1,172,848</u>	<u>1,137,776</u>
	<u>\$ 15,203</u>	<u>\$ 266,420</u>	<u>\$ 281,623</u>	<u>\$ 114,973</u>

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

For the year ended March 31	Sponsorship	Partners	2017	2016
Revenue				
Contributions	\$ 1,020,279	\$ 488,671	\$ 1,508,950	\$ 1,125,527
Expenses				
Advertising and promotion	2,742	844	3,586	744
Child medical and other care	542	992	1,534	1,346
Delivery, freight and postage	10,507	7,649	18,156	18,184
Direct grants	784,536	494,222	1,278,758	993,813
Equipment	9,009	1,879	10,888	-
Insurance	2,433	541	2,974	4,952
Interest and bank charges	16,168	3,599	19,767	29,441
Occupancy costs	15,249	3,395	18,644	-
Office and miscellaneous	31,578	7,575	39,153	2,254
Sub-contracts	15,961	3,553	19,514	18,480
Travel	4,614	24,564	29,178	5,678
Utilities	8,418	1,874	10,292	2,245
Wages and benefits	195,182	132,100	327,282	116,515
	1,096,939	682,787	1,779,726	1,193,652
	\$ (76,660)	\$ (194,116)	\$ (270,776)	\$ (68,125)