

SEVA CANADA SOCIETY

FINANCIAL STATEMENTS

JUNE 30, 2013

SEVA CANADA SOCIETY

TABLE OF CONTENTS JUNE 30, 2013

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 10
Schedule 1 - Program Expenditures	11
Schedule 2 - Other Expenditures	12

INDEPENDENT AUDITOR'S REPORT

To the Members of SEVA Canada Society

We have audited the accompanying financial statements of **SEVA Canada Society**, which are comprised of the statement of financial position as at **June 30, 2013**, June 30, 2012 and July 01, 2011, and the statement of operations and changes in net assets and statement of cash flows, 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 the 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. 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The Society is responsible for funding programs and projects in developing countries. Due to their nature, some of these activities are not susceptible to satisfactory audit verification. Accordingly, our examination was limited to verification of the fund transfers to the project countries and we were not able to determine whether any adjustments might be necessary to the statement of operations and changes to net assets and the statement of financial position.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

In common with many not-for-profit organizations, the Society derives revenue from fundraising and donations of goods and services, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of SEVA Canada Society and we were not able to determine whether any adjustments might be necessary to donations revenue, excess of revenue over expenditures, tangible capital assets and net assets.

Qualified Opinion

In our opinion, except for the possible 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 **SEVA Canada Society** as at **June 30, 2013**, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations. As required by paragraph 47(2)(b) of the Society Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.



Vancouver, B.C.
August 21, 2013

CERTIFIED GENERAL ACCOUNTANTS

SEVA CANADA SOCIETY

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2013

	June 30 2013	June 30 2012	July 1 2011
ASSETS			
CURRENT			
Cash and term deposits	\$ 267,745	\$ 390,612	\$ 531,239
Internally restricted term deposit (Note 3)	48,689	48,206	47,578
Accounts receivable	411	494	1,362
Goods and services tax receivable	11,873	-	-
Prepaid expenses	25,785	19,219	3,301
Inventory	8,684	7,054	12,436
	363,187	465,585	595,916
TANGIBLE CAPITAL ASSETS (Note 4)	4,029	5,492	7,518
	\$ 367,216	\$ 471,077	\$ 603,434
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 17,095	\$ 12,910	\$ 6,800
Goods and services tax payable	-	5,082	2,219
	17,095	17,992	9,019
NET ASSETS			
Internally restricted	48,689	48,206	47,578
Invested in tangible capital assets	4,029	5,492	7,518
Unrestricted	297,403	399,387	539,319
	350,121	453,085	594,415
	\$ 367,216	\$ 471,077	\$ 603,434

Approved on behalf of the Society:

_____ Director

_____ Director

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

SEVA CANADA SOCIETY

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2013

	2013 Budget Unaudited	2013 Actual	2012 Actual
REVENUE			
CIDA program grants (Note 5)	\$ 196,507	\$ 203,270	\$ 173,411
Project grants and contracts	180,000	107,664	137,129
Donations	780,000	692,580	726,033
Donations - in kind	20,000	6,170	153,353
Special events, presentations and net merchandise sales	54,000	237,207	159,327
Interest and other income	4,000	2,466	4,532
	1,234,507	1,249,357	1,353,785
COST OF GOODS SOLD			
Opening inventory	-	7,054	12,436
Purchases	1,700	7,263	9,674
Closing inventory	-	(8,684)	(7,054)
	1,700	5,633	15,056
	1,232,807	1,243,724	1,338,729
EXPENSES			
Program payments (Schedule1)	769,762	780,982	910,798
Program administration (Schedule1)	218,611	255,235	279,541
Fundraising (Schedule2)	178,200	184,319	184,621
General administration (Schedule2)	105,701	126,152	105,099
	1,272,274	1,346,688	1,480,059
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	(39,467)	(102,964)	(141,330)
NET ASSETS, BEGINNING OF YEAR	-	453,085	594,415
NET ASSETS, END OF YEAR	\$ (39,467)	\$ 350,121	\$ 453,085

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

SEVA CANADA SOCIETY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
OPERATING ACTIVITIES		
Excess (deficit) of revenue over expenses	\$ (102,964)	\$ (141,330)
Items not requiring the outlay of cash:		
Amortization	1,463	2,026
	(101,501)	(139,304)
Change in non-cash working capital items:		
Accounts receivable	83	868
Goods and services tax receivable	(11,873)	-
Prepaid expenses	(6,566)	(15,918)
Inventory	(1,630)	5,382
Accounts payable and accrued liabilities	4,187	6,108
Due to government agencies	(5,084)	2,865
	(122,384)	(139,999)
DECREASE IN CASH	(122,384)	(139,999)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	438,818	578,817
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 316,434	\$ 438,818
CASH AND CASH EQUIVALENTS consist of:		
Cash and term deposits	\$ 267,745	\$ 390,612
Internally restricted term deposit	48,689	48,206
	\$ 316,434	\$ 438,818

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

SEVA CANADA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013

1. NATURE OF OPERATIONS

Seva Canada Society's (the Society) mission is to restore sight and prevent blindness in the developing world. The Society is incorporated under the British Columbia Society's Act as a not-for-profit organization and is a registered charity under the Income Tax Act.

The Society is guided by:

- (a) the belief in equal access to eye care for all.
- (b) the belief that with adequate resources, all people can meet their own needs.
- (c) the commitment to working with international partners to build local, sustainable eye care programs.
- (d) the respect for cultural, ethnic, spiritual and other forms of diversity.
- (e) the commitment to inform and inspire Canadians to join us in achieving our mission.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Basis of presentation

On July 1, 2011, the Society adopted the Canadian accounting standards for not-for-profit organizations ("ASNPO").

The financial statements for the year ended June 30, 2013 are the first financial statements that are prepared in accordance with ASNPO. The financial statements for the year ended June 30, 2012 were previously prepared in accordance with the former Canadian generally accepted accounting principles in the CICA Handbook - Accounting Part V version (Pre-changeover GAAP for non-profit organizations). According to the CICA Handbook Section 1500 in Part III for ASNPO, the date of transition is the beginning of the fiscal year for comparative information. Therefore, the transition date for the Society is July 1, 2011, the beginning of the fiscal year ended June 30, 2012.

There were no adjustments to the statement of financial position as at July 1, 2011 nor the statement of operations for the year ended June 30, 2012.

(b) Revenue Recognition

The Society 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.

SEVA CANADA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(c) Restrictions on Net Assets

Since 1998, donations received in memory of Trish Turner, a long time supporter of the Society and the spouse of a Board Member, have been segregated, invested and used only for certain activities designated by the Board. Until the year ended June 30, 2006, the activity consisted of support for overseas travel to program sites for volunteers who could not otherwise afford to go. In 2007, the application of the income from the investments has been expanded to include two additional alternatives.

- i) To support education, training, and development of individuals with partner organizations who have the potential to take on important medical or administrative roles or administrative roles within their organizations, and
- ii) To fund existing people within partner organizations to spend time in less developed partner organizations and help them move along the path to self sufficiency.

This group of donations has been characterized as internally restricted net assets. These internally restricted amounts are not available for any other purposes without the approval of the Board of Directors. Income from the investments not used for the above purposes is added to the internally restricted net assets.

In addition, the Society's financial policy requires that a minimum of six months operating costs be available at all times for the Society's use. The financial policy also ensures that 50% of all revenues are sent to programs and that a 5% surplus is maintained annually.

For the 2013 year end, one member of the Board of Directors pledged \$100,000 cash for the Society to use to maintain operations in the event of a crisis.

(d) Short-term Investments

Investments are recorded at fair value.

(e) Inventory

Inventory is recorded at lower of cost and net realizable value or current replacement cost in the case of donations in kind. Cost is determined using the first-in, first-out method.

SEVA CANADA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Tangible Capital Assets

Tangible capital assets are recorded at cost. The Society provides for amortization using the following methods at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The annual amortization rates and methods are as follows:

Office equipment	Declining balance	20%
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	30%

(g) Allocation of General Expenses

The Society's policy is to allocate a percentage of administrative expenses to programs and project expenditures unless the expenses are directly attributable to an expense category and then the allocation reflects the direct attribution.

(h) Financial Instruments

The Society's financial instruments consist of cash and term deposits, internally restricted term deposit, accounts receivable, GST receivable, prepaid expenses, inventory and accounts payable and accrued liabilities. Unless otherwise noted it is management's opinion that the Society is not exposed to significant interest, currency or credit risks.

(i) Volunteers and Donated Goods

In addition to the donations-in-kind recorded in the financial statements, the Society benefits from goods and services which are not recorded in the financial records of the Society.

(j) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. INTERNALLY RESTRICTED TERM DEPOSIT

Distribution of the revenue earned from this investment is determined each year by the Board of Directors of the Society.

SEVA CANADA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013

4. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2013 Net	2012 Net
Furniture and fixtures	\$ 4,573	\$ 4,304	\$ 269	\$ 336
Office equipment	7,260	6,057	1,203	1,503
Computer equipment	42,070	39,513	2,557	3,653
	\$ 53,903	\$ 49,874	\$ 4,029	\$ 5,492

5. CIDA PROGRAM GRANTS

The Society has signed a five year funding agreement with the Canadian International Development Agency (CIDA) which has committed to providing up to \$982,535 for the Society's programs over the five-year term of the contract expiring July 31, 2016. The Society will match CIDA contributions to a total of \$358,320. These funds are to be used exclusively for the programs implemented under the agreement.

6. RELATED PARTY TRANSACTIONS

Transactions with Board Members and the Executive Director, their businesses and shareholders, their immediate families or businesses related to them are summarized below:

	2013	2012
Revenue - Donations and other funds received from Board Members	\$ 32,620	\$ 63,097

7. LEASE COMMITMENTS

The office premises lease was not renewed when it expired on January 31, 2013, and was converted to a month to month rent of \$1,600 plus HST/GST.

8. ALBERTA REVENUE

Composition of revenue from Alberta is as follows:

	2013	2012
Donations	\$ 61,475	\$ 131,007

SEVA CANADA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2013

9. CREDIT FACILITIES

The Society has a \$35,000 line of credit with VanCity Savings which is secured by a claim against the assets of the organization. The loan bears interest at prime plus 1.5%.

10. BUDGET FIGURES

The budgeted figures, as presented for comparative purposes, are unaudited and approved by the Board of Directors.

SEVA CANADA SOCIETY

SCHEDULE 1 - PROGRAM EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2013

	2013 Budget	2013 Actual	2012 Actual
PROGRAM PAYMENTS - INTERNATIONAL			
CIDA Madagascar	\$ 27,000	\$ 2,442	\$ 16,688
CIDA Malawi	18,000	6,206	15,638
CIDA Nepal	85,150	89,510	70,773
CIDA Tanzania	95,000	78,968	91,138
Sight projects	522,612	583,289	688,486
	747,762	760,415	882,723
PROGRAM PAYMENTS - DOMESTIC			
Public engagement	22,000	22,062	28,075
Other projects (recovery)	-	(1,495)	-
	22,000	20,567	28,075
	\$ 769,762	\$ 780,982	\$ 910,798
PROGRAM ADMINISTRATION			
Events	\$ 5,000	\$ 40,725	\$ 16,671
Office and miscellaneous	45,005	44,626	65,116
Professional fees	17,906	9,836	16,843
Rent	7,650	6,684	6,730
Telecommunications	1,250	1,709	1,384
Travel	20,000	31,506	38,067
Wages, benefits and subcontracts	121,800	120,149	134,730
	\$ 218,611	\$ 255,235	\$ 279,541

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

SEVA CANADA SOCIETY

SCHEDULE 2 - OTHER EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2013

	2013 Budget	2013 Actual	2012 Actual
FUNDRAISING			
Events	\$ 2,500	\$ 20,360	\$ 5,777
Other fundraising expenses	34,089	27,155	40,182
Publication postage and production	11,711	10,223	4,409
Rent	7,425	6,635	6,730
Telecommunications	625	769	632
Travel	1,500	1,481	5,590
Wages, benefits and subcontracts	120,350	117,696	121,301
	\$ 178,200	\$ 184,319	\$ 184,621
GENERAL ADMINISTRATION			
Amortization	\$ -	\$ 1,463	\$ 2,026
Equipment leases and maintenance	330	625	360
Insurance, licenses and fees	4,290	4,580	4,242
Office and miscellaneous	26,302	43,822	19,060
Professional fees	17,379	9,787	16,747
Rent	7,425	6,635	6,730
Telecommunications	625	769	632
Travel	1,500	1,528	1,974
Wages, benefits and subcontracts	47,850	56,943	53,328
	\$ 105,701	\$ 126,152	\$ 105,099

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