

**SEVA CANADA SOCIETY**

**FINANCIAL STATEMENTS**  
**June 30, 2019**

# SEVA CANADA SOCIETY

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## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF SEVA CANADA SOCIETY

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#### *Qualified Opinion*

We have audited the financial statements of Seva Canada Society, which comprise the statement of financial position as at June 30, 2019, and the statement of operations and changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at June 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### *Basis for Qualified Opinion*

Seva Canada 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.

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.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

## INDEPENDENT AUDITOR'S REPORT, CONTINUED

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



REID HURST NAGY INC.  
CHARTERED PROFESSIONAL ACCOUNTANTS

VANCOUVER, B.C.  
September 9, 2019

# SEVA CANADA SOCIETY

## STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended June 30, 2019

	2019	2018
	\$	\$
<b>REVENUE</b>		
Donations and awards	1,644,451	1,172,655
Donations - in kind	3,997	45,833
Project grants and contracts	313,689	153,484
Special events, presentations and net merchandise sales	65,603	62,502
Foreign exchange gain (loss)	(5,413)	3,324
Interest and other income	6,742	5,671
	<b>2,029,069</b>	<b>1,443,469</b>
<b>COST OF GOODS SOLD</b>		
Opening inventory	8,963	9,091
Purchases	2,198	1,191
Closing inventory	(7,941)	(8,963)
	<b>3,220</b>	<b>1,319</b>
	<b>2,025,849</b>	<b>1,442,150</b>
<b>EXPENDITURES</b>		
Program payments (Schedule 1)	1,093,315	817,554
Program administration (Schedule 1)	332,560	318,159
Fundraising (Schedule 2)	264,213	259,933
General administration (Schedule 2)	181,994	182,915
	<b>1,872,082</b>	<b>1,578,561</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>153,767</b>	<b>(136,411)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>150,480</b>	<b>286,891</b>
<b>NET ASSETS, END OF YEAR</b>	<b>304,247</b>	<b>150,480</b>

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

# SEVA CANADA SOCIETY

## STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

	2019	2018
	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	257,027	64,224
Internally restricted cash and term deposit (Note 4)	-	33,176
Accounts receivable	14,607	2,240
GST/HST receivable	6,118	5,891
Due from unrestricted fund (Note 4)	33,176	-
Prepaid expenses	42,379	32,032
Inventory	7,941	8,963
	<b>361,248</b>	146,526
INVESTMENT (Note 5)	131,263	128,063
TANGIBLE CAPITAL ASSETS (Note 6)	12,948	17,289
	<b>505,459</b>	291,878
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	32,758	14,128
Due to government agencies	256	164
Salaries payable	7,651	6,836
Deferred revenue	127,371	120,270
Due to internally restricted fund (Note 4)	33,176	-
	<b>201,212</b>	141,398
<b>NET ASSETS</b>		
Internally restricted	33,176	33,176
Invested in tangible capital assets	12,948	17,289
Unrestricted	258,123	100,015
	<b>304,247</b>	150,480
	<b>505,459</b>	291,878

Approved on behalf of the Society:

 Director  
 Director

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

# SEVA CANADA SOCIETY

## STATEMENT OF CASH FLOWS For the year ended June 30, 2019

	2019	2018
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenditures	153,767	(136,411)
Items not requiring the outlay of cash:		
Depreciation	4,636	5,667
	<b>158,403</b>	<b>(130,744)</b>
Change in non-cash working capital items:		
Accounts receivable	(12,367)	15,204
Prepaid expenses	(10,347)	(16,595)
Inventory	1,022	128
Due from unrestricted fund	(33,176)	-
Accounts payable and accrued liabilities	18,630	(47,644)
GST/HST receivable	(227)	(726)
Due to government agencies	92	26
Deferred revenue	7,101	87,689
Due to internally restricted fund	33,176	-
Salaries payable	815	(2,621)
	<b>163,122</b>	<b>(95,283)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment	(3,200)	(11,513)
Purchase of tangible capital assets	(295)	(3,174)
	<b>(3,495)</b>	<b>(14,687)</b>
<b>INCREASE (DECREASE) IN CASH</b>	<b>159,627</b>	<b>(109,970)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>97,400</b>	<b>207,370</b>
<b>CASH, END OF YEAR</b>	<b>257,027</b>	<b>97,400</b>
<b>CASH consist of:</b>		
Cash	257,027	64,224
Internally restricted cash and term deposit	-	33,176
	<b>257,027</b>	<b>97,400</b>

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

# SEVA CANADA SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS June 30, 2019

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### 1. 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) 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 and donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Investment income is recognized as it is earned in accordance with the terms of the instrument.

#### (b) Restriction 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 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.

#### (c) Cash and Term Deposits

Cash and term deposits include term deposits with an original maturity of 12 months or less.

#### (d) 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, 2019

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### 1. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### (e) Tangible Capital Assets

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

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

Tangible capital assets are tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

#### (f) 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.

#### (g) Financial Instruments

##### (i) Fair value

The Society initially measures its financial assets and liabilities at fair value. The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for any investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess (deficiency) of receipts over expenditures.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down would be recognized in excess (deficiency) of receipts over expenditures. In the event a previously recognized impairment loss should be reversed, the amount of the reversal is recognized in excess (deficiency) of receipts over expenditures provided it is not greater than the original amount prior to write-down.

For any financial instrument that is measured at amortized cost, the instrument's cost is adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption. These transaction costs are amortized into income on a straight-line basis over the term of the instrument. All other transaction costs are recognized in excess (deficiency) of receipts over expenditures in the period incurred.

##### (ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

As at June 30, 2019, the Society holds US cash of \$40,968 (2018 - \$5,971) at its Canadian dollar equivalent.

# SEVA CANADA SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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### 1. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(iii) 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 Society is exposed to credit risk with respect to its accounts receivable of \$14,607 (2018 - \$2,240). The Society has mitigated this risk by holding its cash and term deposits with the Vancouver Foundation.

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Society is not exposed to significant interest rate risk due to the short-term nature of its monetary assets and liabilities.

(v) Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its cash. Cash flow from operations provides a substantial portion of the Society's cash requirements. Additional cash requirements are met with the use of the available operating line of credit and bank borrowings under long-term credit arrangements. The available operating line of credit provides flexibility in the short term to meet operational needs and bridge long-term financing. The Society's borrowing arrangements are concentrated with a single Canadian financial institution. The Society is exposed to liquidity risk mainly in respect of its accounts payable; however, cash flow from operations is budgeted to provide for the Society's cash requirements.

(h) **Foreign Currency Translation**

Amounts recorded in foreign currency are translated into US dollars as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect at the statement of financial position date;

(ii) Non-monetary assets and liabilities, at the rate of exchange prevailing at the time of the acquisition of the assets or assumption of the liabilities; and

(iii) Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the rate of exchange prevailing at the time of the transaction.

Gains and losses arising from the translation of foreign currency are included in excess (deficiency) of revenues over expenses for the year.

(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.

# SEVA CANADA SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

### 1. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### (j) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include the determination of the useful lives of tangible capital assets for depreciation, and the amounts recorded as accrued liabilities. Actual results could differ from those estimates.

### 2. 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 and is exempt from tax under paragraph 149(1)(f) of 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.

### 3. REMUNERATION

As required by the Societies Act, three employees received wages and benefits over \$75,000 for a total of \$277,343.

### 4. INTERNALLY RESTRICTED CASH AND TERM DEPOSIT

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

During the year, the Board approved to loan the amount of \$33,176 to the unrestricted fund to be used in operations of the Society.

### 5. INVESTMENT

The balance represents an Endowment Fund established with the Vancouver Foundation for long term investment purposes that will benefit the Society financially. The initial contribution to the Fund of \$110,258 is locked-in for 5 years and the Vancouver Foundation requires 1 year's notice prior to any withdrawal of this contribution. Contributions made to the Fund subsequent to this initial contribution are not locked in but are subject to notice provisions for withdrawal. The Fund is not reserved or intended for any specific purpose. Per the Board approved policy, 25% of all non-designated bequests to the Society are to be deposited to the fund.

	2019	2018
	\$	\$
Balance, beginning of year	128,063	116,550
Deposits	3,150	6,733
Withdrawals	(5,125)	-
Interest earned	5,175	4,780
Balance, end of year	131,263	128,063

# SEVA CANADA SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

### 6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	Net 2019	Net 2018
	\$	\$	\$	\$
Furniture and fixtures	13,991	9,661	4,330	5,413
Office equipment	7,461	7,029	432	539
Computer equipment	61,927	53,741	8,186	11,337
	83,379	70,431	12,948	17,289

### 7. RELATED PARTY TRANSACTIONS

Transactions with Board Members and staff, their family foundations, their businesses and shareholders, their immediate families or businesses related to them are summarized below:

	2019	2018
	\$	\$
Revenue - Donations and other funds received	35,220	32,690

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

### 8. LEASE COMMITMENTS

The office premises lease was renewed for a five year term expiring January 31, 2024, with a monthly rent of \$2,267 plus GST.

### 9. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

# SEVA CANADA SOCIETY

## SCHEDULE 1 - PROGRAM EXPENDITURES

For the year ended June 30, 2019

	2019 Actual	2018 Actual
<b>PROGRAM PAYMENTS - INTERNATIONAL</b>	\$	\$
Sight projects	1,093,315	817,554
<b>PROGRAM ADMINISTRATION</b>		
Events	21,093	20,232
Office and miscellaneous	62,178	62,044
Professional fees	35,213	45,920
Rent	8,097	7,112
Telecommunications	2,010	1,588
Travel	40,541	27,742
Wages, benefits and sub-contracts	163,428	153,521
	<b>332,560</b>	<b>318,159</b>

# SEVA CANADA SOCIETY

## SCHEDULE 2 - OTHER EXPENDITURES

For the year ended June 30, 2019

	2019 Actual	2018 Actual
	\$	\$
<b>FUNDRAISING</b>		
Events	10,592	10,116
Other fundraising expenses	32,933	27,750
Professional fees	35,211	45,814
Publication postage and production	14,061	15,445
Rent	7,859	6,920
Telecommunications	969	828
Travel	1,573	1,659
Wages, benefits and subcontracts	161,015	151,401
	<b>264,213</b>	<b>259,933</b>
<b>GENERAL ADMINISTRATION</b>		
Depreciation	4,636	5,667
Equipment leases and maintenance	1,160	1,968
Insurance, licenses and fees	4,194	3,805
Office and miscellaneous	50,659	48,389
Professional fees	35,709	44,623
Rent	7,859	6,920
Telecommunications	969	830
Travel	1,573	1,659
Wages, benefits and subcontracts	75,235	69,054
	<b>181,994</b>	<b>182,915</b>