

SEVA CANADA SOCIETY

FINANCIAL STATEMENTS

JUNE 30, 2012

SEVA CANADA SOCIETY

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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, 2012**, 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 generally accepted accounting principles, 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

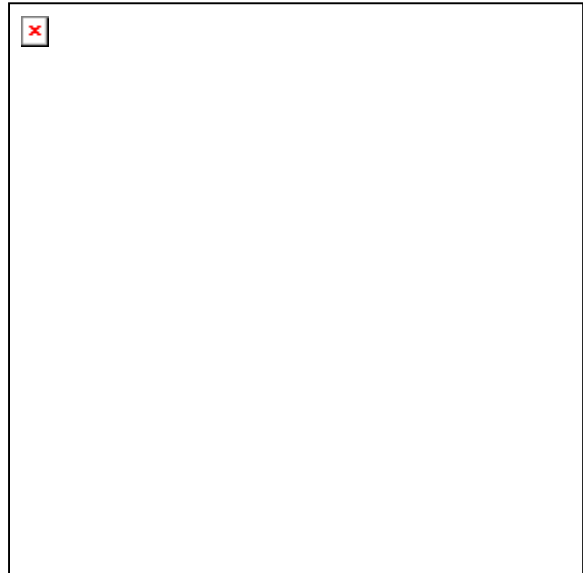
the statement of operations and changes to net assets and the statement of financial position.

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, 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, 2012**, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. 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 19, 2012

CERTIFIED GENERAL ACCOUNTANTS

SEVA CANADA SOCIETY

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2012

	2012	2011
ASSETS		
CURRENT		
Cash and term deposits	\$ 390,612	\$ 531,037
Internally restricted term deposit (Note 3)	48,206	47,578
Accounts receivable	494	1,362
Short term investments	-	202
Prepaid expenses	19,219	3,301
Inventory	7,054	12,436
	465,585	595,916
CAPITAL ASSETS (Note 4)	5,492	7,518
	\$ 471,077	\$ 603,434
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 12,910	\$ 6,800
Due to government agencies	5,082	2,219
	17,992	9,019
NET ASSETS		
Internally restricted	48,206	47,578
Invested in capital assets	5,492	7,518
Unrestricted	399,387	539,319
	453,085	594,415
	\$ 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, 2012

	2012 Budget Unaudited	2012 Actual	2011 Actual
REVENUE			
CIDA program grants (Note 5)	\$ 196,507	\$ 173,411	12,026
Project grants and contracts	130,000	137,129	216,370
Donations	655,000	726,033	738,326
Donations - in kind	10,000	153,353	29,728
Special events, presentations and net merchandise sales	179,000	159,327	143,339
Interest and other income	-	4,532	4,191
	1,170,507	1,353,785	1,143,980
COST OF GOODS SOLD			
Opening inventory	-	12,436	10,256
Purchases	10,000	9,674	6,498
Closing inventory	-	(7,054)	(12,436)
	10,000	15,056	4,318
	1,160,507	1,338,729	1,139,662
EXPENSES			
Program payments (Schedule1)	721,767	910,798	623,986
Program administration (Schedule1)	248,190	279,541	173,028
Fundraising (Schedule2)	175,113	184,621	116,623
General administration (Schedule2)	90,417	105,099	88,486
	1,235,487	1,480,059	1,002,123
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	(74,980)	(141,330)	137,539
NET ASSETS, BEGINNING OF YEAR	-	594,415	456,876
NET ASSETS, END OF YEAR	\$ (74,980)	\$ 453,085	\$ 594,415

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

SEVA CANADA SOCIETY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
OPERATING ACTIVITIES		
Excess (deficit) of revenue over expenses	\$ (141,330)	\$ 137,539
Items not requiring the outlay of cash:		
Depreciation	2,026	2,812
	(139,304)	140,351
Change in non-cash working capital items:		
Accounts receivable	868	1,930
Harmonized sales tax receivable	-	975
Short term investments	202	(202)
Prepaid expenses	(15,918)	158
Inventory	5,382	(2,180)
Accounts payable and accrued liabilities	6,108	(16,305)
Due to government agencies	2,865	2,103
	(139,797)	126,830
(DECREASE) INCREASE IN CASH	(139,797)	126,830
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	578,615	451,785
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 438,818	\$ 578,615
CASH AND CASH EQUIVALENTS consist of:		
Cash and term deposits	\$ 390,612	\$ 531,037
Internally restricted term deposit	48,206	47,578
	\$ 438,818	\$ 578,615

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

SEVA CANADA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

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) Our belief in equal access to eye care for all.
- (b) Our belief that with adequate resources, all people can meet their own needs.
- (c) Our commitment to working with international partners to build local, sustainable eye care programs.
- (d) Our respect for cultural, ethnic, spiritual and other forms of diversity.
- (e) Our 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 generally accepted accounting principles. 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 are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) Future Change in Accounting Policies

In December 2010, the Accounting Standards Board of the Canadian Centre of Chartered Accountants ("AcSB") and the Public Sector Accounting Board ("PSAB") issued accounting standards impacting the future financial reporting framework for not-for-profit organizations. These standards are effective for years beginning on or after January 1, 2012. Not-for-profit organizations have an option for early adoption of these new standards.

These accounting standards will be effective for the Society's 2013 fiscal year. The Society is currently determining an appropriate adoption date as well as analyzing the effects of these changes to its financial statements.

SEVA CANADA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2012

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 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 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.

(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, 2012

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Capital Assets

Capital assets are recorded at cost. The Society provides for amortization using the following methods at rates designed to amortize the cost of the 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, short term investments, accounts receivable, harmonized sales tax receivable, accounts payable and accrued liabilities and due to government agencies. 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 generally accepted accounting principles 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 (refer to note 2 c).

SEVA CANADA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2012

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2011 Net	2010 Net
Furniture and fixtures	\$ 4,573	\$ 4,237	\$ 336	\$ 420
Office equipment	7,260	5,757	1,503	1,879
Computer equipment	42,070	38,417	3,653	5,219
	\$ 53,903	\$ 48,411	\$ 5,492	\$ 7,518

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:

	2012	2011
Revenue - Donations and other funds received from Board Members	\$ 63,097	\$ 62,747

7. LEASE COMMITMENTS

The office premises lease was renewed for an additional three year term expiring January 31, 2013, with a monthly rent of \$1,600 plus HST. The lease has been indemnified by a member of the Board of Directors.

8. ALBERTA REVENUE

Composition of revenue from Alberta is as follows:

	2012	2011
Donations	\$ 131,007	\$ 81,115

SEVA CANADA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2012

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, 2012

	2012 Budget	2012 Actual	2011 Actual
PROGRAM PAYMENTS - INTERNATIONAL			
CIDA India	\$ -	\$ -	6,250
CIDA Madagascar	27,000	16,688	-
CIDA Malawi	18,000	15,638	-
CIDA Nepal	85,117	70,773	8,016
CIDA Tanzania	95,000	91,138	6,816
CIDA Tibet	-	-	8,016
Sight projects	474,650	688,486	563,844
	699,767	882,723	592,942
PROGRAM PAYMENTS - DOMESTIC			
Public engagement	22,000	28,075	31,044
	\$ 721,767\$	910,798\$	623,986
PROGRAM ADMINISTRATION			
Events	\$ 6,245\$	16,671\$	5,450
Office and miscellaneous	65,538	65,116	50,974
Professional fees	4,167	16,843	5,364
Rent	7,500	6,730	6,730
Telecommunications	1,400	1,384	1,576
Travel	25,500	38,067	27,719
Wages, benefits and subcontracts	137,840	134,730	75,215
	\$ 248,190\$	279,541\$	173,028

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

SEVA CANADA SOCIETY

SCHEDULE 2 - OTHER EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2012

	2012 Budget	2012 Actual	2011 Actual
FUNDRAISING			
Events	\$ 6,745\$	5,777\$	5,557
Other fundraising expenses	28,545	40,182	22,316
Publication postage and production	5,083	4,409	4,063
Rent	7,500	6,730	6,730
Telecommunications	700	632	732
Travel	2,000	5,590	1,775
Wages, benefits and subcontracts	124,540	121,301	75,450
	\$ 175,113\$	184,621\$	116,623
GENERAL ADMINISTRATION			
Amortization	\$ - \$	2,026\$	2,812
Equipment leases and maintenance	2,000	360	1,631
Insurance, licenses and fees	5,000	4,242	6,345
Office and miscellaneous	14,160	19,060	15,860
Professional fees	4,167	16,747	5,016
Rent	7,500	6,730	6,730
Telecommunications	700	632	732
Travel	2,000	1,974	2,544
Wages, benefits and subcontracts	54,890	53,328	46,816
	\$ 90,417\$	105,099\$	88,486

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