

SEVA CANADA SOCIETY

FINANCIAL STATEMENTS

JUNE 30, 2011

SEVA CANADA SOCIETY

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INDEPENDENT AUDITOR'S REPORT, CONTINUED

INDEPENDENT AUDITOR'S REPORT

To the Members of SEVA Canada Society

We have audited the accompanying financial statements of **SEVA Canada Society**, which comprise of the statement of financial position as at **June 30, 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 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

INDEPENDENT AUDITOR'S REPORT, CONTINUED

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.

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, 2011, 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, 2011

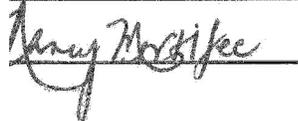
CERTIFIED GENERAL ACCOUNTANTS

SEVA CANADA SOCIETY

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2011

	2011	2010
ASSETS		
CURRENT		
Cash and term deposits	\$ 531,037	\$ 404,789
Internally restricted term deposit (Note 2c & 3)	47,578	46,996
Short term investments (Note 2d)	202	-
Accounts receivable	1,362	3,293
Harmonized sales tax receivable	-	975
Inventory (Note 2e)	12,436	10,256
Prepaid expenses	3,301	3,459
	595,916	469,768
CAPITAL ASSETS (Note 4)	7,518	10,330
	\$ 603,434	\$ 480,098
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 6,800	\$ 23,106
Due to government agencies	2,219	116
	9,019	23,222
NET ASSETS		
Internally restricted	47,578	46,996
Invested in capital assets	7,518	10,330
Unrestricted	539,319	399,550
	\$ 603,434	\$ 480,098

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, 2011

	2011 Budget	2011 Actual	2010 Actual
REVENUE			
CIDA program grants	\$ 195,000	\$ 12,026	\$ 140,510
Project grants and contracts	50,000	216,370	183,301
Donations	412,000	738,326	551,150
Donations - in kind	10,000	29,728	93,978
Special events, presentations and net merchandise sales	102,000	143,339	136,153
Interest and other income	-	4,191	3,920
	769,000	1,143,980	1,109,012
COST OF GOODS SOLD			
Opening inventory	-	10,256	14,276
Purchases	7,000	6,498	3,279
Closing inventory	-	(12,436)	(10,256)
	7,000	4,318	7,299
	762,000	1,139,662	1,101,713
EXPENSES			
Program payments (Schedule1)	497,200	623,986	688,607
Program administration (Schedule1)	164,800	173,028	145,998
Fundraising (Schedule2)	122,425	116,623	107,281
General administration (Schedule2)	71,175	88,486	75,603
	855,600	1,002,123	1,017,489
EXCESS OF REVENUE OVER EXPENDITURES	(93,600)	137,539	84,224
NET ASSETS, BEGINNING OF YEAR	-	456,876	372,652
NET ASSETS, END OF YEAR	\$ (93,600)	\$ 594,415	\$ 456,876

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

SEVA CANADA SOCIETY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 137,539	\$ 84,224
Items not requiring the outlay of cash:		
Depreciation	2,812	2,782
	140,351	87,006
Change in non-cash working capital items:		
Accounts receivable	1,930	294
Harmonized sales tax receivable	975	-
Short term investments	(202)	-
Prepaid expenses	158	-
Inventory	(2,180)	3,630
Accounts payable and accrued liabilities	(16,305)	4,621
Due to government agencies	2,103	-
	126,830	95,551
INVESTING ACTIVITIES		
Purchase of capital assets	-	(5,280)
INCREASE IN CASH	126,830	90,271
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	451,785	361,514
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 578,615	\$ 451,785
CASH AND CASH EQUIVALENTS consist of:		
Cash and term deposits	\$ 531,037	\$ 404,789
Internally restricted term deposit	47,578	46,996
	\$ 578,615	\$ 451,785

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

SEVA CANADA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2011

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 exempt from tax 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 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 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 2012 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, 2011

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 a minimum of six months operating costs (about \$180,000) 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, 2011

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 33% 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, 2011

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2011 Net	2010 Net
Furniture and fixtures	\$ 4,573	\$ 4,153	420	525
Office equipment	7,260	5,381	1,879	2,349
Computer equipment	42,070	36,851	5,219	7,456
	\$ 53,903	\$ 46,385	7,518	10,330

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:

	2011	2010
Revenue - Donations and other funds received from Board Members	\$ 62,747	63,046

Some Board Members provide program services at international sites. They are reimbursed for their expenditures in performing these services. This has been included under Programs above. Members of the Board are also permitted to purchase calendars at wholesale prices.

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.

SEVA CANADA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2011

8. ALBERTA REVENUE

Composition of revenue from Alberta is as follows:

	2011	2010
Donations	\$ 81,115	\$ 66,345

The grant from the Wild Rose Foundation requires that the Society contribute an amount equal to the grant to the project.

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 4.0%.

10. VOLUNTEERS

Professional and non-professional volunteers provide services for the international and local programs of the Society, as well as administrative services.

11. BUDGET FIGURES

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

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2011 financial statements.

SEVA CANADA SOCIETY

SCHEDULE 1 - PROGRAM EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2011

	2011 Budget	2011 Actual	2010 Actual
PROGRAM PAYMENTS - INTERNATIONAL			
CIDA India	\$ -	\$ 6,250	21,551
CIDA Madagascar	20,000	-	-
CIDA Malawi	10,000	-	-
CIDA Nepal	72,250	8,016	52,861
CIDA Tanzania	71,000	6,816	74,636
CIDA Tibet	76,950	8,016	51,269
Sight projects	209,000	563,844	445,167
	459,200	592,942	645,484
PROGRAM PAYMENTS - DOMESTIC			
Public engagement	38,000	31,044	43,123
	\$ 497,200	\$ 623,986	688,607
PROGRAM ADMINISTRATION			
Events	\$ 5,500	\$ 5,450	5,864
Office and miscellaneous	45,850	50,974	43,760
Professional fees	3,100	5,364	3,597
Rent	7,000	6,730	6,082
Telecommunications	1,350	1,576	1,542
Travel	14,000	27,719	13,258
Wages, benefits and subcontracts	88,000	75,215	71,895
	\$ 164,800	\$ 173,028	145,998

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

SEVA CANADA SOCIETY

SCHEDULE 2 - OTHER EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2011

	2011 Budget	2011 Actual	2010 Actual
FUNDRAISING			
Events	\$ 4,500	\$ 5,557	5,693
Other fundraising expenses	17,900	22,316	17,198
Publication postage and production	3,600	4,063	3,673
Rent	7,000	6,730	6,082
Telecommunications	675	732	756
Travel	750	1,775	1,384
Wages, benefits and subcontracts	88,000	75,450	72,495
	\$ 122,425	\$ 116,623	107,281
GENERAL ADMINISTRATION			
Amortization	\$ -	\$ 2,812	2,782
Equipment leases and maintenance	1,750	1,631	1,017
Insurance, licenses and fees	4,250	6,345	3,560
Office and miscellaneous	10,400	15,860	9,627
Professional fees	3,100	5,016	2,902
Rent	7,000	6,730	6,082
Telecommunications	675	732	756
Travel	750	2,544	4,263
Wages, benefits and subcontracts	43,250	46,816	44,614
	\$ 71,175	\$ 88,486	75,603

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