

SEVA CANADA SOCIETY

FINANCIAL STATEMENTS
June 30, 2018

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 comprise the statement of financial position as at June 30, 2018, 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.

Auditors' 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 auditors' 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 auditors consider 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.

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.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

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, 2018, 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.



REID HURST NAGY INC.
CHARTERED PROFESSIONAL ACCOUNTANTS

VANCOUVER, B.C.
September 13, 2018

SEVA CANADA SOCIETY

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS For the year ended June 30, 2018

	2018	2017
	\$	\$
REVENUE		
Donations and awards	1,172,655	1,156,502
Donations - in kind	45,833	2,746
Project grants and contracts	153,484	305,329
Special events, presentations and net merchandise sales	62,502	60,671
Foreign exchange gain	3,324	5,363
Interest and other income	5,671	5,071
	1,443,469	1,535,682
COST OF GOODS SOLD		
Opening inventory	9,091	8,401
Purchases	1,191	6,253
Closing inventory	(8,963)	(9,091)
	1,319	5,563
	1,442,150	1,530,119
EXPENDITURES		
Program payments (Schedule 1)	817,554	1,105,108
Program administration (Schedule 1)	318,159	277,120
Fundraising (Schedule 2)	259,933	229,815
General administration (Schedule 2)	182,915	156,330
	1,578,561	1,768,373
DEFICIT OF REVENUE OVER EXPENDITURES	(136,411)	(238,254)
NET ASSETS, BEGINNING OF YEAR	286,891	525,145
NET ASSETS, END OF YEAR	150,480	286,891


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

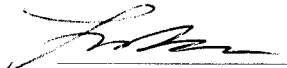
SEVA CANADA SOCIETY

STATEMENT OF FINANCIAL POSITION As at June 30, 2018

	2018	2017
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	64,224	170,825
Internally restricted cash and term deposit (Note 4)	33,176	36,545
Accounts receivable	2,240	17,444
GST/HST receivable	5,891	5,165
Prepaid expenses	32,032	15,437
Inventory	8,963	9,091
	146,526	254,507
INVESTMENT (Note 5)	128,063	116,550
TANGIBLE CAPITAL ASSETS (Note 6)	17,289	19,782
	291,878	390,839
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	14,128	61,772
Due to government agencies	164	138
Salaries payable	6,836	9,457
Deferred revenue	120,270	32,581
	141,398	103,948
NET ASSETS		
Internally restricted	33,176	36,545
Invested in tangible capital assets	17,289	19,782
Unrestricted	100,015	230,564
	150,480	286,891
	291,878	390,839

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, 2018

	2018	2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficit of revenue over expenses	(136,411)	(238,254)
Items not requiring the outlay of cash:		
Depreciation	5,667	5,137
	(130,744)	(233,117)
Change in non-cash working capital items:		
Accounts receivable	15,204	101,916
Prepaid expenses	(16,595)	10,980
Inventory	128	(690)
Accounts payable and accrued liabilities	(47,644)	51,219
GST/HST receivable	(726)	565
Due to government agencies	26	(86)
Deferred revenue	87,689	7,581
Salaries payable	(2,621)	4,009
	(95,283)	(57,623)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment	(11,513)	(6,292)
Purchase of tangible capital assets	(3,174)	(9,473)
	(14,687)	(15,765)
DECREASE IN CASH	(109,970)	(73,388)
CASH, BEGINNING OF YEAR	207,370	280,758
CASH, END OF YEAR	97,400	207,370
CASH consist of:		
Cash	64,224	170,825
Internally restricted cash and term deposit	33,176	36,545
	97,400	207,370

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

SEVA CANADA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS June 30, 2018

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 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.

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) 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.

SEVA CANADA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS June 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(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.

(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.

SEVA CANADA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS June 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(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, 2018, the Society holds US cash and accounts receivable of \$5,971 and \$nil, respectively, (2017 - \$110,485 and \$17,444, respectively) at their Canadian dollar equivalent.

(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 \$2,240 (2017 - \$17,444). 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.

SEVA CANADA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS June 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(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.

(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.

3. REMUNERATION

As required by the Societies Act, wages and benefits over \$75,000 totalled \$194,369.

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 withdrawal from the fund in the amount of \$3,853 to be used in operations of the Society.

SEVA CANADA SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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.

	2018	2017
	\$	\$
Balance, beginning of year	116,550	110,258
Deposits	6,733	2,000
Interest earned	4,780	4,292
Balance, end of year	128,063	116,550

6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	Net 2018	Net 2017
	\$	\$	\$	\$
Furniture and fixtures	13,991	8,578	5,413	6,766
Office equipment	7,461	6,922	539	674
Computer equipment	61,632	50,295	11,337	12,342
	83,084	65,795	17,289	19,782

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:

	2018	2017
	\$	\$
Revenue - Donations and other funds received	32,690	95,408

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 three year term expiring January 31, 2019, with a monthly rent of \$1,700 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, 2018

	2018 Actual	2017 Actual
	\$	\$
PROGRAM PAYMENTS - INTERNATIONAL		
Community eye centres	-	60,038
Sight projects	817,554	1,003,859
USAID research project	-	41,211
	817,554	1,105,108
PROGRAM ADMINISTRATION		
Events	20,232	14,157
Office and miscellaneous	62,044	49,125
Professional fees	45,920	39,020
Rent	7,112	7,109
Telecommunications	1,588	1,562
Travel	27,742	23,218
Wages, benefits and sub-contracts	153,521	142,929
	318,159	277,120

SEVA CANADA SOCIETY

SCHEDULE 2 - OTHER EXPENDITURES For the year ended June 30, 2018

	2018 Actual	2017 Actual
	\$	\$
FUNDRAISING		
Events	10,116	7,229
Other fundraising expenses	73,564	59,044
Publication postage and production	15,445	13,590
Rent	6,920	6,900
Telecommunications	828	779
Travel	1,659	1,332
Wages, benefits and subcontracts	151,401	140,941
	259,933	229,815
GENERAL ADMINISTRATION		
Depreciation	5,667	5,137
Equipment leases and maintenance	1,968	1,612
Insurance, licenses and fees	3,805	2,387
Office and miscellaneous	48,389	35,647
Professional fees	44,623	37,872
Rent	6,920	6,900
Telecommunications	830	781
Travel	1,659	1,332
Wages, benefits and subcontracts	69,054	64,662
	182,915	156,330