

OPERATION EYESIGHT CANADA

FINANCIAL STATEMENTS

December 31, 2013

Independent Auditors' Report

To the Directors of Operation Eyesight Canada:

We have audited the accompanying financial statements of Operation Eyesight Canada, which comprise the statement of financial position as at December 31, 2013, and the statements of operations and changes in fund balances, and cash flows for the year then ended, 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 auditor considers 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Operation Eyesight Canada as at December 31, 2013, and the results of its operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

April 14, 2014
Calgary, Alberta

MNP LLP
Chartered Accountants

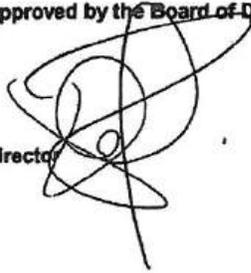
OPERATION EYESIGHT CANADA
STATEMENT OF FINANCIAL POSITION
As at December 31, 2013

	Unrestricted Fund	Restricted Fund	Capital Asset Fund	Total 2013	Total 2012
	\$	\$	\$	\$	\$
Assets					
Current assets					
Cash	167,851	276,264	-	444,115	490,525
Short term investments (note 3)	735,529	1,268,480	-	2,004,009	-
Donations & other receivables (note 8)	27,254	98,808	-	126,062	19,581
Due from DFADT/CIDA & other program funders (note 7)	-	634,273	-	634,273	184,659
Due from Operation Eyesight USA (note 8)	39,813	-	-	39,813	38,748
Prepaid expenses & program costs	42,459	-	-	42,459	38,499
	<u>1,012,906</u>	<u>2,277,825</u>	<u>-</u>	<u>3,290,731</u>	<u>772,012</u>
Capital assets (note 4)					
Life insurance policies (note 5)	-	-	-	-	1,315,519
	51,095	-	-	51,095	47,879
	<u>1,064,001</u>	<u>2,277,825</u>	<u>-</u>	<u>3,341,826</u>	<u>2,135,410</u>
Liabilities					
Current liabilities					
Accounts payables & accrued liabilities (note 7)	443,726	191,219	-	634,945	719,990
Due to/from other funds (note 12)	(339,073)	339,073	-	-	-
	<u>104,653</u>	<u>530,292</u>	<u>-</u>	<u>634,945</u>	<u>719,990</u>
Fund balances					
Internally restricted - invested in capital assets	-	-	-	-	1,244,848
Externally restricted (note 9)	-	1,747,533	-	1,747,533	1,238,403
Unrestricted	959,348	-	-	959,348	(1,067,831)
	<u>959,348</u>	<u>1,747,533</u>	<u>-</u>	<u>2,706,881</u>	<u>1,415,420</u>
	<u>1,064,001</u>	<u>2,277,825</u>	<u>-</u>	<u>3,341,826</u>	<u>2,135,410</u>

Commitments (note 11)

Approved by the Board of Directors:

Director



Treasurer



OPERATION EYESIGHT CANADA
STATEMENT OF OPERATIONS and CHANGES IN FUND BALANCES
For the Year Ended December 31, 2013

	Unrestricted Fund	Restricted Fund	Capital Asset Fund	Total 2013	Total 2012
	\$	\$	\$	\$	\$
Revenue					
Annual gifts	1,114,569	200,440	-	1,315,009	1,343,458
Legacy gifts	508,766	-	-	508,766	522,463
Major gifts	316,151	1,138,255	-	1,454,406	1,564,377
DFADT/CIDA funding	-	641,468	-	641,468	909,812
Investment and other income (note 4)	64,680	14,900	607,500	687,080	97,784
	2,004,166	1,995,063	607,500	4,606,729	4,437,894
Expenses					
International programs	770,282	1,436,676	-	2,206,958	3,423,622
Fundraising	869,567	39,155	-	908,722	1,748,235
Administration	189,486	10,102	-	199,588	288,563
	1,829,335	1,485,933	-	3,315,268	5,460,420
Excess (deficiency) of revenue over expenses	174,831	509,130	607,500	1,291,461	(1,022,526)
Fund balances - beginning of year	(1,067,831)	1,238,403	1,244,848	1,415,420	2,437,946
Interfund transfer	1,852,348	-	(1,852,348)	-	-
Fund balances - end of year	959,348	1,747,533	-	2,706,881	1,415,420

The accompanying notes are an integral part of these financial statements

OPERATION EYESIGHT CANADA
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
Cash provided by (used in)		
Operating Activities		
Excess (deficiency) of revenues over expenditures	1,291,461	(1,022,526)
Items not affecting cash		
Gain on sale of capital assets	(607,500)	-
Amortization	-	105,065
Change in cash surrender value of life insurance	(3,216)	12,296
	<u>680,745</u>	<u>(905,165)</u>
Net changes in non-cash working capital		
Donations & other receivables	(106,481)	31,355
Due from CIDA and other program funders	(449,614)	396,474
Due from Operation Eyesight Universal USA	(1,065)	8,912
Prepaid expenses & program costs	(3,960)	8,006
Accounts payable & accrued liabilities	(85,045)	(111,033)
	<u>(646,165)</u>	<u>333,714</u>
	<u>34,580</u>	<u>(571,451)</u>
Investing activities		
Purchase of capital assets	-	(9,766)
Proceeds on disposal of capital assets	1,923,019	-
Purchase of investments	(2,004,009)	-
Proceeds from sale of investments	-	364,983
	<u>(80,990)</u>	<u>355,217</u>
Net decrease in cash	(46,410)	(216,234)
Cash resources, beginning of year	490,525	706,759
Cash resources, end of year	<u>444,115</u>	<u>490,525</u>
Interest cash received	<u>23,238</u>	<u>6,598</u>

The accompanying notes are an integral part of these financial statements

NOTE 1 - PURPOSE OF ORGANIZATION

The mission of Operation Eyesight Canada (the "Organization") is to provide international leadership and encouragement in the development and funding of self-sustaining blindness prevention and sight restoration programs for those people in greatest need. The Organization is incorporated under the Canada Corporations Act as a not-for-profit organization. The Organization is a registered charity under the Income Tax Act, and therefore is not subject to income tax.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The Organization's accounting and reporting policies conform to Canadian accounting standards for not-for-profit organizations and include the following:

Consolidation

These financial statements are prepared on a non-consolidated basis and do not include the assets, liabilities, net assets and results of operations of its related entities, Operation Eyesight Universal USA, Operation Eyesight UK, Operation Eyesight Australia, Operation Eyesight India, Operation Eyesight Kenya, Operation Eyesight Ghana, and Operation Eyesight Zambia. The summarized financial statements of these related organizations and the details of the significant inter-organization transactions are disclosed in Note 8.

Fund Accounting

The Organization follows the restricted fund method of accounting for contributions. The Organization maintains the following funds:

The Unrestricted Fund includes the assets, liabilities, revenues and expenses related to the fund development, administration and international programs that are funded by unrestricted contributions.

The Restricted Fund includes donor contributions and government funds restricted for specific international programs and projects, and, where applicable, administration and fundraising costs. Endowment contributions are included in the restricted fund.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Organization's capital assets.

Revenue recognition

Unrestricted contributions are recognized as revenue in the Unrestricted Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income is recognized as revenue in the Unrestricted Fund. Restricted investment income is recognized as revenue in the fund in which it is earned. Investment income earned on endowment funds is reported in the restricted fund in accordance with the donors' specific instructions.

Restricted contributions related to specific international programs and projects are recognized as revenue in the Restricted Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Short term investments

Investments are measured at fair value, with changes in the fair value recognized as either an unrealized gain or loss on investments in the fund to which they relate. Transaction costs are expensed as incurred.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES - continued

Cash

Cash consists of cash in the Organization's bank accounts.

Capital assets

Capital assets are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives as follows:

Building and improvements	25 years
Computer equipment	3 years
Office furniture and equipment	5 years
Web site and application development	3 years

Computer software is amortized 100% in the year of purchase.

Capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be fully recoverable. An impairment loss is recognized when and to the extent that the carrying value of an asset exceeds the total undiscounted cash flow expected from its use and external disposition.

Life insurance policies

Life insurance policies are recorded at their cash surrender value at year end. Changes in cash surrender value are recognized in revenue for the year.

International programs

Program and construction expenditures are recorded as expenses when the funds are released directly to the international programs and construction projects. Program advances for a subsequent year are recorded as prepaid expenses and program costs. Outstanding program commitments for the current year are accrued as a liability at year end.

Foreign exchange

All amounts in the accompanying financial statements are stated in Canadian dollars. Foreign revenues and expenses are translated at the rates of exchange in effect on the dates of the related transactions and foreign assets and liabilities are translated at the year end rates of exchange.

Donations in-kind

Volunteers contribute significant time every year assisting the Organization. Because of the difficulty of determining the fair value of volunteer services, contributed services related to volunteer activities are not recognized in the financial statements. Donated goods and services are recorded as both a revenue and an expense when the fair market value is reasonably determinable and when they otherwise would normally be purchased and paid for by the Organization.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in related party transactions.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures its marketable securities at fair value. Fair value is determined by published price quotations. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in earnings. Conversely, transaction cost and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

Financial asset impairment

The Organization assesses impairment of all its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Company determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in the current year excess (deficiency) of revenue and expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess (deficiency) of revenue over expenses in the year the reversal occurs.

Income taxes

The Organization is registered as a charitable organization under the Income Tax Act ("the Act") and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Organization must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

Allocation of expenses

The nature of the Organization's operations requires that its costs are largely influenced by the deployment of its staff. In turn, the costs of supporting international programs and fundraising are directly related to the number of people working in each of those areas.

The Organization has allocated administrative costs to fundraising (Communication and Fund Development), International programs and administration on the basis of the time they expended on the related activities.

OPERATION EYESIGHT CANADA
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2013

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES - continued

Use of accounting estimates

The preparation of financial statements in accordance 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 at the date of the financial statements and the related amounts of revenue and expenses for the reporting period. Actual results can differ from those estimates.

NOTE 3 - SHORT TERM INVESTMENTS

	<u>2013</u>	<u>2012</u>
	\$	\$
GIC - 1 year cashable - interest at 1.2%	100,000	-
GIC - 1 year cashable - interest at 1.2%	635,529	-
GIC - 1 year cashable - interest at 1.35%	<u>1,268,480</u>	<u>-</u>
	<u>2,004,009</u>	<u>-</u>

GIC's are renewing on April 7, 2014.

NOTE 4 - CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2013</u>	<u>2012</u>
	\$	\$	\$	\$
Land	-	-	-	459,000
Building and improvements	-	-	-	856,519
Computer equipment	-	-	-	-
Office furniture and equipment	-	-	-	-
Web site and application development	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,315,519</u>

During the year, land and building were sold for proceeds of \$1,923,019, resulting in a gain of \$607,500. As the investment in capital assets was \$nil at year-end, the remaining balances in the capital asset fund were transferred to the operating fund.

NOTE 5 - LIFE INSURANCE POLICIES

	<u>2013</u>		<u>2012</u>	
	<u>Recorded Value</u>	<u>Death Benefit</u>	<u>Recorded Value</u>	<u>Death Benefit</u>
	\$	\$	\$	\$
Life insurance cash surrender value	<u>51,095</u>	<u>357,543</u>	<u>47,879</u>	<u>357,543</u>

The life insurance death benefits represent the expected death benefit from the policies assigned to the Organization as determined by the insurance provider. The death benefits become payable on the death of the donor. During the year, no death benefits were received. When death benefits are received, they are included in legacy gifts on the statement of operations.

NOTE 6 - BANK OPERATING LINE OF CREDIT

The Organization has an operating line of credit to a maximum of \$100,000 with interest payable at bank prime plus 3.5% per annum. This line is secured by a guaranteed investment certificate. As at year-end the amount outstanding was \$nil (2012 - \$nil)

NOTE 7 - DUE FROM DFATD/CIDA AND OTHER FUNDERS

Effective June 26, 2013 Canadian International Development Agency ("CIDA") was amalgamated with the Department of Foreign Affairs, Trade and Development Act ("DFATD"). DFATD/CIDA reimburses the Organization for expenditures incurred on the programs and projects they support. The balance represents expenditures incurred by the Organization and not yet reimbursed to the Organization. The Organization has other funders with contributions formally pledged and outstanding at 2013.

OPERATION EYESIGHT CANADA
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2013

NOTE 7 - DUE FROM DFATD/CIDA AND OTHER FUNDERS - continued

During the year ended December 31, 2011, DFATD/CIDA completed an audit of expenditures claimed for reimbursement for the financial period November 1, 2008 to November 30, 2010. As a result of the audit, certain expenditures claimed did not fully comply with the funding agreement requirements. As at December 31, 2011, DFATD/CIDA was still reviewing the extent of the claw back amount. As a result, the Organization accrued \$172,000 as its best estimate as at December 31, 2011. This amount was recorded in accounts payable and accrued liabilities of the Unrestricted Fund.

During the year ended December 31, 2012, DFATD/CIDA finalized the audit, and the Organization repaid DFATD/CIDA \$139,000 in settlement of the final claw back amount. The balance of the accrual at December 31, 2011 of \$33,000 was written off as a credit to expenses during the year ended December 31, 2012.

The Organization signed an amendment to its agreement with DFATD/CIDA effective April 1, 2012. Subsequent to December 31, 2012, DFATD/CIDA and the Organization reached an understanding regarding interim expenditures claimed from DFATD/CIDA between the end of the period under audit and the date of the amended agreement. As a result, the Organization accrued an additional \$231,000 in claw back payable to DFATD/CIDA at December 31, 2012 related to the interim period between December 2010 and December 2011. This amount was recorded as an offset to receivable amounts included in Due from DFATD/CIDA and Other Funders of the Restricted Fund and was repaid to DFATD/CIDA during the year ended December 31, 2013.

During the year ended December 31, 2013, the Organization recorded an allowance of \$40,000 for amounts that may not be collectible under the funding agreement requirements.

NOTE 8 - RELATED ENTITIES

During the year, in the normal course of operations, the Organization incurred the following transactions with related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Operation Eyesight Universal (formerly called "Operation Eyesight Universal Foundation")

In 2011, the former Operation Eyesight Universal Foundation changed its name to Operation Eyesight Universal to act as an international umbrella body overseeing member organizations in Canada, Australia, UK, India, Kenya, Ghana, Zambia and USA. Member organizations in Canada, Australia and the UK have independent fundraising and decision making authority. Operation Eyesight Universal changed its name to Operation Eyesight Canada.

As of December 31, 2013, it held \$nil in cash for the operation (2012 - \$1,000).

Operation Eyesight USA

Operation Eyesight USA, a non-profit corporation, was incorporated in 2005 in the State of Washington and is exempt from federal income tax in the United States. Operation Eyesight USA commenced operations in 2006. A financial summary for this entity for the years ended December 31, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>
Results of Operations	\$	\$
Revenues	17,285	53,000
Expenditures	60,636	10,976
	<u>2013</u>	<u>2012</u>
Financial Position		
Assets	4,313	53,374
Liabilities - Due to Operation Eyesight Canada	39,813	38,748
Other liabilities	123	7,396
Net Assets		
Unrestricted deficit	(35,623)	7,230

Amounts due from Operation Eyesight USA are non-interest bearing, unsecured, and due on demand.

OPERATION EYESIGHT CANADA
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2013

NOTE 8 - RELATED ENTITIES (continued)

Operation Eyesight India

Operation Eyesight India was formed as a charitable trust on December 11, 2006. A financial summary for this entity for the years ended December 31, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>
Results of Operations	\$	\$
Revenues - payments from Operation Eyesight Canada	239,554	235,500
Expenditures	239,554	235,500
Financial Position		
Assets	33,372	38,038
Liabilities	3,285	18,731
Net Assets		
Unrestricted	30,087	19,307

The Organization's funding of \$239,554 (2012 - \$235,500) for the Indian operation has been expensed in the year. These expenses are included in international program expenses on the statement of operations.

Operation Eyesight Kenya

The Organization incurred costs of \$122,998 in support of the Kenyan operations, which were expensed in the year (2012 - \$123,509). As at December 31, 2013, accounts payable and accrued liabilities included \$2,114 (2012 - \$755) related to Kenyan operations. These expenses are included in international program expenses on the statement of operations.

Operation Eyesight Ghana

The Organization incurred costs of \$165,074 in support of the Ghanaian operations, which were expensed in the year (2012 - \$155,454). As at December 31, 2013, accounts payable and accrued liabilities included \$10,023 (2012 - \$528) related to Ghanaian operations. These expenses are included in international program expenses on the statement of operations. In the last quarter of the year, funds of \$57,012 were advanced, but had not been spent by our year end.

Operation Eyesight Zambia

The Organization incurred costs of \$72,759 in support of the Zambian operations, which were expensed in the year (2012 - \$94,204). As at December 31, 2013 accounts payable and accrued liabilities included \$3,892 (2012 - \$9,188) related to Zambian operations. These expenses are included in international program expenses on the statement of operations. In the last quarter of the year, funds of \$35,499 were advanced, but had not been spent by our year end.

Operation Eyesight Australia

The Organization incurred costs of \$8,447 (2012 - \$170,530) in support of the Australian operations, which were expensed in the year. These expenses are included in fundraising expenses on the statement of operations.

Operation Eyesight UK

The Organization incurred costs of \$nil in support of the UK operations, which were expensed in the year. These expenses are included in fundraising expenses on the statement of operations. (2012 - \$47,275)

OPERATION EYESIGHT CANADA
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2013

NOTE 9 - EXTERNALLY RESTRICTED

The externally restricted fund balances consist of the following contributions restricted by donors for international projects that were not spent as of December 31, 2013:

	<u>2013</u>	<u>2012</u>
	\$	\$
Indian projects	656,576	598,762
African projects	1,090,957	639,641
	<u>1,747,533</u>	<u>1,238,403</u>

NOTE 10 - FUND RAISING

As required under Section 7(2) of the Charitable Fundraising Regulations of Alberta, the following amounts are disclosed:

	<u>2013</u>	<u>2012</u>
	\$	\$
Remuneration to employees whose principal duties involve fund raising	336,799	442,140
Direct costs incurred for soliciting contributions	190,636	210,060

NOTE 11 - COMMITMENTS

Lease commitments

The Organization leases office space in Vancouver expiring January 2014 and in Calgary expiring March 2018. The Organization also leased office equipment with lease terms extending to August 2016. Payments under these office and equipment leases for the next five years will amount to:

2014	154,888
2015	151,455
2016	97,727
2017	85,593
2018	21,398

NOTE 12 - INTERFUND BALANCES

The interfund balances have no fixed terms of repayment and do not bear any interest.

NOTE 13 - FINANCIAL RISK MANAGEMENT

The Organization is exposed to credit risk to the extent that its donors and funders may experience financial difficulty and would be unable to meet their obligations. However, the Organization has a large number of diverse donors and funders, which minimizes concentration of credit risk.

The Organization is exposed to foreign currency risk due to the transactions it has with foreign affiliates. The Organization has minimal balances denominated in foreign currencies at year-end and management is of the opinion that foreign currency risk is minimal.

NOTE 14 - COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform with the current year's presentation.

NOTE 15 - SUBSEQUENT EVENTS

Subsequent to year-end, DFATD/CIDA renewed its contract with the Organization through to January 31, 2015.