

OPERATION EYESIGHT CANADA INC.

FINANCIAL STATEMENTS

December 31, 2015

Management's Responsibility

To the Board of Directors of Operation Eyesight Canada Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of the . The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the 's external auditors.

MNP LLP is appointed by the directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

April 28, 2016



Brian Foster, Executive Director

To the Board of Directors of Operation Eyesight Canada Inc.:

We have audited the accompanying financial statements of Operation Eyesight Canada Inc., which comprise the statement of financial position as at December 31, 2015, 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 Inc. as at December 31, 2015 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Calgary, Alberta

April 28, 2016

MNP LLP

Chartered Professional Accountants

OPERATION EYESIGHT CANADA INC.
STATEMENT OF FINANCIAL POSITION
As at December 31, 2015

	Unrestricted Fund	Restricted Fund	Capital Asset Fund	Total 2015	Total 2014
	\$	\$	\$	\$	\$
Assets					
Current assets					
Cash	1,160,181	957,951	-	2,118,132	2,032,800
Short term investments (note 3)	1,047,900	1,000,000	-	2,047,900	2,025,912
Donations and other receivables	22,027	7,560	-	29,587	32,463
Due from GAC and other funders (note 7)	-	-	-	-	346,205
Due from Operation Eyesight USA (note 8)	33,393	-	-	33,393	52,041
Prepaid expenses and program costs	107,238	208,941	-	316,179	260,951
	<u>2,370,739</u>	<u>2,174,452</u>	<u>-</u>	<u>4,545,191</u>	<u>4,750,372</u>
Capital assets (note 4)					
	-	-	6,249	6,249	3,690
Life insurance policies (note 5)	57,601	-	-	57,601	54,340
	<u>2,428,340</u>	<u>2,174,452</u>	<u>6,249</u>	<u>4,609,041</u>	<u>4,808,402</u>
Liabilities					
Current liabilities					
Accounts payables and accrued liabilities	172,934	78,591	-	251,525	285,209
Due to/from other funds (note 12)	59,689	(70,665)	10,976	-	-
	<u>232,623</u>	<u>7,926</u>	<u>10,976</u>	<u>251,525</u>	<u>285,209</u>
Fund balances					
Internally restricted - invested in capital assets	-	-	(4,727)	(4,727)	(1,845)
Externally restricted (note 9)	-	2,166,526	-	2,166,526	2,008,178
Unrestricted	2,195,717	-	-	2,195,717	2,516,860
	<u>2,195,717</u>	<u>2,166,526</u>	<u>(4,727)</u>	<u>4,357,516</u>	<u>4,523,193</u>
	<u>2,428,340</u>	<u>2,174,452</u>	<u>6,249</u>	<u>4,609,041</u>	<u>4,808,402</u>

Commitments (note 11)

Approved by the Board of Directors:



Chairman



Treasurer

OPERATION EYESIGHT CANADA INC.
STATEMENT OF OPERATIONS and CHANGES IN FUND BALANCES
For the Year Ended December 31, 2015

	Unrestricted Fund	Restricted Fund	Capital Asset Fund	Total 2015	Total 2014
	\$	\$	\$	\$	\$
Revenue					
Annual gifts	997,337	157,722	-	1,155,059	1,204,365
Legacy gifts	658,831	-	-	658,831	1,435,143
Major gifts	285,170	1,898,954	-	2,184,124	1,797,435
Department of Foreign Affairs Trade and Development	-	55,425	-	55,425	1,458,540
Investment and other income	11,843	20,474	-	32,317	40,738
	1,953,181	2,132,575	-	4,085,756	5,936,221
Expenses					
International programs	1,254,345	1,974,227	-	3,228,572	3,092,855
Fundraising	849,054	-	-	849,054	848,734
Administration	170,925	-	2,882	173,807	178,320
	2,274,324	1,974,227	2,882	4,251,433	4,119,909
Excess (deficiency) of revenue over expenses	(321,143)	158,348	(2,882)	(165,677)	1,816,312
Fund balances - beginning of year	2,516,860	2,008,178	(1,845)	4,523,193	2,706,881
Fund balances - end of year	2,195,717	2,166,526	(4,727)	4,357,516	4,523,193

The accompanying notes are an integral part of these financial statements

OPERATION EYESIGHT CANADA INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
Cash provided by (used in)		
Operating Activities		
Excess (deficiency) of revenue over expenditures	(165,677)	1,816,312
Items not affecting cash		
Amortization	2,882	1,845
Change in cash surrender value of life insurance	(3,261)	(3,245)
	<u>(166,056)</u>	<u>1,814,912</u>
Net changes in non-cash working capital		
Donations and other receivables	218,151	(121,676)
Due from GAC and other program funders	346,205	288,068
Due from Operation Eyesight Universal USA	18,648	(12,228)
Prepaid expenses and program costs	(270,503)	(3,217)
Accounts payable and accrued liabilities	(33,685)	(349,736)
	<u>278,816</u>	<u>(198,789)</u>
	<u>112,760</u>	<u>1,616,124</u>
Investing activities		
Purchase of capital assets	(5,440)	(5,535)
Purchase of short term investments	(21,988)	(21,904)
	<u>(27,428)</u>	<u>(27,439)</u>
Net increase in cash	85,332	1,588,685
Cash resources, beginning of year	2,032,800	444,115
Cash resources, end of year	<u><u>2,118,132</u></u>	<u><u>2,032,800</u></u>
Interest cash received	<u>25,988</u>	<u>32,974</u>

The accompanying notes are an integral part of these financial statements

OPERATION EYESIGHT CANADA INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2015

NOTE 1 - PURPOSE OF ORGANIZATION

The mission of Operation Eyesight Canada Inc. (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.

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.

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.

OPERATION EYESIGHT CANADA INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2015

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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:

Computer equipment	3 years
Office equipment	5 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 December 31, 2015.

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 revenue 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 short term investments 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 and 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 INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2015

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES - continued

Use of accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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>2015</u>	<u>2014</u>
	\$	\$
GIC - 1 year cashable - interest at 0.6% (2014 - 0.8%)	100,000	100,000
GIC - 1 year cashable - interest at 0.95% (2014 - 1.00%)	303,000	300,000
GIC - 1 year cashable - interest at 0.75% (2014 - 0.85%)	644,900	592,594
GIC - 1 year cashable - interest at 0.90% (2014 - 1.35%)	<u>1,000,000</u>	<u>1,033,318</u>
	<u>2,047,900</u>	<u>2,025,912</u>

GIC's are renewing on April 6 and 11, 2016 and July 4, 2016.

NOTE 4 - CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
	\$	\$	<u>2015</u>	<u>2014</u>
			\$	\$
Computer equipment	9,764	(4,485)	5,279	3,690
Office equipment	1,212	(242)	970	-
	<u>10,976</u>	<u>(4,727)</u>	<u>6,249</u>	<u>3,690</u>

NOTE 5 - LIFE INSURANCE POLICIES

	<u>2015</u>		<u>2014</u>	
	<u>Recorded Value</u>	<u>Death Benefit</u>	<u>Recorded Value</u>	<u>Death Benefit</u>
	\$	\$	\$	\$
Life insurance cash surrender value	<u>57,601</u>	<u>257,543</u>	<u>54,340</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, one death benefit was 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 per annum and is secured by a guaranteed investment certificate. As at December 31, 2015 the amount outstanding was \$nil (2014 - \$nil).

OPERATION EYESIGHT CANADA INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2015

NOTE 7 - DUE FROM GLOBAL AFFAIRS CANADA AND OTHER FUNDERS

Effective June 26, 2013 CIDA was amalgamated with the Department of Foreign Affairs, Trade and Development ("DFATD"). On November 4, 2015, the department name was changed to Global Affairs Canada. During this time, the Organization was finishing the agreement with Global Affairs Canada, finalizing an audit and completing a final report. Through the term of the agreement, the Organization was reimbursed partially by Global Affairs Canada for expenditures incurred on programs and projects. Other funders provided the matching funding for these programs and projects.

On January 12, 2015, the Organization and Global Affairs Canada agreed to an extension of the grant agreement to December 31, 2015 with project activities being completed no later than July 31, 2015. All reporting, operational and financial, was to be completed by October 31, 2015. On December 31, 2015, this grant agreement ended.

In October 2014, Global Affairs Canada authorized an audit of the Organization's claims to Global Affairs Canada for eligible expenditures from 2013 to 2014. The audit was completed and accepted by Global Affairs Canada as of March 9, 2016.

OPERATION EYESIGHT CANADA INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2015

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")

Operation Eyesight Canada Inc. acts as an international umbrella body overseeing member organizations in Australia, UK, India, Kenya, Ghana, Zambia and USA. Member organizations in the UK and, formerly, Australia have independent fundraising and decision making authority.

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, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>
Results of Operations	\$	\$
Revenues	33,756	109,111
Expenditures	124,181	21,531
	<u>2015</u>	<u>2014</u>
Financial Position		
Assets	33,393	100,765
Liabilities - Due to Operation Eyesight Canada	65,690	52,041
Net Assets		
Unrestricted (deficit)	(32,297)	48,724

Amounts due from Operation Eyesight USA are non-interest bearing, unsecured, and due on demand. During the year the organization allowed for \$32,297 of the amount due from Operation Eyesight USA.

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, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>
Results of Operations	\$	\$
Revenues - payments from Operation Eyesight Canada	394,261	237,433
Expenditures	385,911	224,780
Financial Position		
Assets	18,465	15,073
Liabilities	4,803	2,421
Net Assets		
Unrestricted	13,662	12,652

OPERATION EYESIGHT CANADA INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2015

NOTE 8 - RELATED ENTITIES - continued

The Organization's funding of \$394,261 (2014 - \$237,433) for the Indian operation for 2015 were not fully expensed in the year. On December 31, 2015 funds of \$8,350 remained in the India bank account. The bank balance is reported on the balance sheet, and are not reported in the international program expenses on the statement of operations.

Operation Eyesight Kenya

The Organization incurred costs of \$97,772 in support of the Kenyan operations, which were expensed in the year (2014 - \$106,804). As at December 31, 2015, accounts payable and accrued liabilities included \$nil (2014 - \$nil) related to Kenyan operations. These expenses are included in international program expenses on the statement of operations. In the last quarter of the year, funds of \$11,397 were advanced, but had not been spent by December 31, 2015.

Operation Eyesight Ghana

The Organization incurred costs of \$65,088 in support of the Ghanaian operations, which were expensed in the year (2014 - \$170,404). As at December 31, 2015, accounts payable and accrued liabilities included \$nil (2014 - \$nil) 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 \$11,314 were advanced, but had not been spent by December 31, 2015.

Operation Eyesight Zambia

The Organization incurred costs of \$52,186 in support of the Zambian operations, which were expensed in the year (2014 - \$83,397). As at December 31, 2015 accounts payable and accrued liabilities included \$nil (2014 - \$nil) 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 \$1,404 were advanced, but had not been spent by December 31, 2015.

Operation Eyesight Australia

The Organization incurred costs of \$nil (2014 - \$nil) in support of the Australian operations. During the year, the Organization received notice that Operation Eyesight Australia has ceased operations.

Operation Eyesight UK

The Organization incurred costs of \$nil (2014 - \$nil) in support of the UK operations.

OPERATION EYESIGHT CANADA INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2015

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, 2015:

	<u>2015</u>	<u>2014</u>
	\$	\$
Indian projects	565,732	645,349
African projects	<u>1,600,794</u>	<u>1,362,829</u>
	<u>2,166,526</u>	<u>2,008,178</u>

NOTE 10 - FUND RAISING

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

	<u>2015</u>	<u>2014</u>
	\$	\$
Remuneration to employees whose principal duties involve fund raising	313,204	290,824
Direct costs incurred for soliciting contributions	228,283	183,015

OPERATION EYESIGHT CANADA INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2015

NOTE 11 - COMMITMENTS

Lease commitments

The Organization leases office space in Calgary expiring March 2018. The Organization also leased office equipment with lease terms extending to August 2020. Payments under these office and equipment leases for the next five years will amount to:

2016	93,691
2017	91,615
2018	27,420
2019	6,022
2020	1,376

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 risk is recognized and mitigated.

NOTE 14 - COMPARATIVE FIGURES

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