

The Foundation Fighting Blindness

Financial Statements
December 31, 2012



May 9, 2013

Independent Auditor's Report

To the Board of Directors of The Foundation Fighting Blindness

We have audited the accompanying financial statements of The Foundation Fighting Blindness, which comprise the statement of financial position as at December 31, 2012 and the statements of revenues and expenditures, changes in fund balances and cash flows for the year ended December 31, 2012, and the related notes, which comprise 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.

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 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 qualified audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**Basis for qualified opinion**

In common with many charitable organizations, The Foundation Fighting Blindness derives revenues from contributions, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of The Foundation Fighting Blindness. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess of (expenditures over revenues) revenues over expenditures and cash flows for the year ended December 31, 2012, current assets as at December 31, 2012 and fund balances as at January 1, 2012 and December 31, 2012.

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 The Foundation Fighting Blindness as at December 31, 2012 and the results of its operations and its cash flows for the year ended December 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative information

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes that The Foundation Fighting Blindness adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012, with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2011 and January 1, 2011, and the statements of revenues and expenditures, changes in fund balances and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

PricewaterhouseCoopers LLP

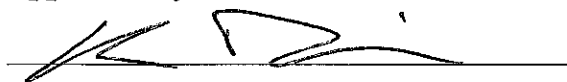
Chartered Accountants, Licensed Public Accountants

The Foundation Fighting Blindness

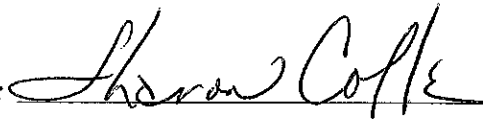
Statement of Financial Position

	December 31, 2012 \$	December 31, 2011 \$ (Unaudited)	January 1, 2011 \$ (Unaudited)
Assets			
Current assets			
Cash and cash equivalents	1,301,954	802,036	1,354,935
Donations receivable	98,708	323,233	278,656
Prepaid expenses and sundry assets	144,890	165,668	72,458
Investments (note 4)	2,139,202	2,323,730	1,292,457
	<u>3,684,754</u>	<u>3,614,667</u>	<u>2,998,506</u>
Investments (note 4)	267,907	358,429	577,758
Property and equipment (note 5)	28,329	32,173	29,339
Intangible assets (note 6)	-	7,455	14,910
	<u>3,980,990</u>	<u>4,012,724</u>	<u>3,620,513</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	84,017	18,732	36,501
Deferred revenue	77,787	143,716	104,284
	<u>161,804</u>	<u>162,448</u>	<u>140,785</u>
Lease inducement	-	-	324
	<u>161,804</u>	<u>162,448</u>	<u>141,109</u>
Fund Balances			
Unrestricted Fund	2,289,849	2,275,982	1,882,176
Restricted Fund	529,337	574,294	597,228
Endowment Fund	1,000,000	1,000,000	1,000,000
	<u>3,819,186</u>	<u>3,850,276</u>	<u>3,479,404</u>
	<u>3,980,990</u>	<u>4,012,724</u>	<u>3,620,513</u>

Approved by the Board of Directors



Director



Director

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

The Foundation Fighting Blindness

Statement of Revenues and Expenditures

For the year ended December 31, 2012

			2012	2011
	Unrestricted fund \$	Restricted fund \$	Total \$	Total \$ (Unaudited)
Revenues				
Comic Vision	941,651	-	941,651	1,051,464
Ride for Sight	689,284	23,000	712,284	825,882
Cycle for Sight	449,498	-	449,498	302,545
Major gifts	646,436	709,618	1,356,054	864,196
Donor database	465,494	-	465,494	443,867
Bequests, memorials and other	198,277	-	198,277	360,008
Special events	129,843	-	129,843	172,679
	<u>3,520,483</u>	<u>732,618</u>	<u>4,253,101</u>	<u>4,020,641</u>
Direct costs				
Comic Vision	344,098	-	344,098	345,185
Ride for Sight	406,328	-	406,328	380,296
Cycle for Sight	134,227	-	134,227	103,368
Major gifts	167,954	-	167,954	141,464
Donor database	323,552	-	323,552	283,805
Special events	26,418	-	26,418	12,018
	<u>1,402,577</u>	<u>-</u>	<u>1,402,577</u>	<u>1,266,136</u>
Net revenues	2,117,906	732,618	2,850,524	2,754,505
Interest and other income	89,787	-	89,787	120,997
Change in fair value of investments	58,910	-	58,910	(47,904)
	<u>2,266,603</u>	<u>732,618</u>	<u>2,999,221</u>	<u>2,827,598</u>
Expenditures				
Scientific research expenditures (note 7)	1,052,365	777,575	1,829,940	1,352,710
Programs (note 8)	344,607	-	344,607	269,827
Operating expenses (note 8)	844,423	-	844,423	821,565
Amortization of property and equipment	11,341	-	11,341	12,624
	<u>2,252,736</u>	<u>777,575</u>	<u>3,030,311</u>	<u>2,456,726</u>
Excess of (expenditures over revenues) revenues over expenditures for the year	<u>13,867</u>	<u>(44,957)</u>	<u>(31,090)</u>	<u>370,872</u>

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

The Foundation Fighting Blindness

Statement of Changes in Fund Balances

For the year ended December 31, 2012

	Unrestricted Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$
Fund balances - December 31, 2011	2,275,982	574,294	1,000,000	3,850,276
Excess of (expenditures over revenues) revenues over expenditures for the year	13,867	(44,957)	-	(31,090)
Fund balances - December 31, 2012	2,289,849	529,337	1,000,000	3,819,186

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

The Foundation Fighting Blindness

Statement of Cash Flows

For the year ended December 31, 2012

	2012 \$	2011 \$ (Unaudited)
Cash provided by (used in)		
Operating activities		
Excess of (expenditures over revenues) revenues over expenditures for the year	(31,090)	370,872
Items not affecting cash		
Lease inducement	-	(324)
Amortization of property and equipment	11,341	12,624
Amortization of intangible assets	7,455	7,455
Change in fair value of investments	(58,910)	47,904
Net changes in non-cash working capital balances		
Donations receivable	224,525	(44,577)
Prepaid expenses and sundry assets	20,778	(93,210)
Accounts payable and accrued liabilities	65,285	(17,769)
Deferred income	(65,929)	39,432
	<u>173,455</u>	<u>322,407</u>
Investing activities		
(Purchase) sale of investments	333,960	(859,848)
Purchase of property and equipment	(7,497)	(15,458)
	<u>326,463</u>	<u>(875,306)</u>
Change in cash and cash equivalents during the year	499,918	(552,899)
Cash and cash equivalents - Beginning of year	802,036	1,354,935
Cash and cash equivalents - End of year	<u>1,301,954</u>	<u>802,036</u>

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

The Foundation Fighting Blindness

Notes to Financial Statements

December 31, 2012

1 Organization

The Foundation Fighting Blindness (the Foundation) is a national foundation, which was incorporated without share capital under the laws of Ontario for charitable purposes.

The Foundation is a registered charity and is exempt from paying income taxes pursuant to the provisions of the Income Tax Act (Canada) under paragraph 141(1)(f).

The mission of the Foundation is to find the causes, treatments and ultimately the cures for retinitis pigmentosa, macular degeneration and related retinal diseases by the support and promotion of research and the development of public awareness.

2 Transition to Canadian accounting standards for not-for-profit organizations (ASNPO)

Effective January 1, 2012, the Foundation elected to adopt Canadian accounting standards for not-for-profit organizations (ASNPO) (Part III of The Canadian Institute of Chartered Accountants Handbook), as issued by the Canadian Accounting Standards Board. Subject to certain transition elections, the accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect.

The Foundation has utilized the following transitional exemption on the adoption of ASNPO:

- In accordance with the ASNPO transitional provisions, the Foundation has elected to measure its bonds and guaranteed investment certificates at fair value, with subsequent changes in fair value to be recognized in the statement of revenues and expenditures.

There were no adjustments to the statement of financial position and the statements of revenues and expenditures, changes in fund balances and cash flows.

3 Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared by management in accordance with ASNPO applied within the framework of the accounting policies summarized below:

Fund accounting

The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purposes for which they were provided.

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For financial reporting purposes, the accounts have been classified into the following funds:

a) Unrestricted Fund

The Unrestricted Fund accounts for the Foundation's general fundraising, granting and administrative activities. The Unrestricted Fund reports unrestricted resources available for immediate purposes.

b) Restricted Fund

The Restricted Fund consists of those funds where resources are to be used for an identified purpose as specified by a donor agreement. These funds only include amounts restricted for education and research purposes.

c) Endowment Fund

The Endowment Fund consists of those funds where donor restrictions require the principal to be maintained by the Foundation in perpetuity.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions.

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

Donor restricted contributions for specific purposes (other than education and research) are deferred and recognized as revenue of the Unrestricted Fund when the related expenses have been incurred. Income earned on the resources of the Restricted Fund or the Endowment Fund is unrestricted and recognized in the statement of revenues and expenditures.

Restricted contributions for education and research 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.

Interest income is recognized in the year earned.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bankers' acceptances with a maturity of three months or less from the date of purchase that are recorded at fair value.

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Notes to Financial Statements

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Deferred revenue

Sponsorships received from contributors, which are restricted for a specific event and have been received in advance of the event, are deferred on receipt and subsequently recognized as revenue when the related event occurs.

Lease inducement

The Foundation received a lease inducement on its leased premises in the form of free rent, which was amortized on a straight-line basis over the expected lease term. The annual amortization has been netted against rent expense.

Property and equipment

Property and equipment are stated at cost. Amortization is being provided by the straight-line method over the following estimated useful lives:

Computer and telecommunication equipment	5 years
Furniture and fixtures	10 years

Intangible assets

Intangible assets are comprised of intangible assets with finite lives and are amortized on a straight-line basis over a period of three years.

On an annual basis, the Foundation compares the carrying amount of the intangible assets to their fair value and recognizes any impairment in value in excess of revenues over expenditures.

Scientific research grants

Research grants are recorded in the period in which the expenditures are made.

Contributed services and materials

The work of the Foundation is significantly supported by the contribution of services and materials. These contributions are recognized in the financial statements when their fair values are reasonably determinable and when they would normally have been purchased by the Foundation if not donated. Fair value is defined as the estimated cash outlay that would have been required to purchase the contributed services and materials.

The value of the services contributed by volunteers is not reflected in these financial statements.

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Financial instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value. Impairments are recognized through the use of an allowance account, with a corresponding charge in the statement of revenues and expenditures.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates.

4 Investments

The Foundation's short-term investments, which have a maturity of less than 365 days, are summarized as follows:

	Fair value	
	2012 \$	2011 \$ (Unaudited)
Corporate bonds	31,236	37,788
Equities	615,811	536,673
Guaranteed investment certificates (i)	1,492,155	1,749,269
	<u>2,139,202</u>	<u>2,323,730</u>

- i) The guaranteed investment certificates' interest rates range from 1.79% to 4.83%.

The Foundation's long-term investments include corporate bonds, which do not mature in the next fiscal year.

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Notes to Financial Statements

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5 Property and equipment

	2012		
	Cost \$	Accumulated amortization \$	Net \$
Computer and telecommunication equipment	139,564	111,235	28,329
Furniture and fixtures	13,080	13,080	-
	<u>152,644</u>	<u>124,315</u>	<u>28,329</u>
	2011		
	Cost \$	Accumulated amortization \$	Net \$ (Unaudited)
Computer and telecommunication equipment	147,795	115,622	32,173
Furniture and fixtures	13,080	13,080	-
	<u>160,875</u>	<u>128,702</u>	<u>32,173</u>

6 Intangible assets

	2012		2011
	Cost \$	Accumulated amortization \$	Net \$ (Unaudited)
Intangible assets	7,455	7,455	7,455

7 Scientific research expenditures

	2012			2011
	Unrestricted Fund \$	Restricted Fund \$	Total \$	Total \$ (Unaudited)
Scientific research grants	902,018	777,575	1,679,593	1,234,167
Scientific research direct costs	150,347	-	150,347	118,543
	<u>1,052,365</u>	<u>777,575</u>	<u>1,829,940</u>	<u>1,352,710</u>

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Notes to Financial Statements

December 31, 2012

8 Expenditures

	2012 \$	2011 \$ (Unaudited)
Programs		
Chapter development	6,800	1,938
Conferences	69,681	81,251
Newsletter	42,353	46,181
Public education and awareness	225,773	140,457
	<u>344,607</u>	<u>269,827</u>
Operating expenses		
Administration	676,999	661,476
Postage and delivery	38,337	34,275
Rent	119,589	119,476
Telephone	7,659	6,257
Travel	1,839	81
	<u>844,423</u>	<u>821,565</u>

9 Commitments

Scientific research grants

The following commitments for 2013 through 2015 are subject to the availability of funding and approval of continuing research efforts by the Foundation's Scientific Advisory Board and Board of Directors on an annual basis:

	\$
2013	1,650,509
2014	1,105,698
2015	345,297
	<u>3,101,504</u>

Accordingly, these commitments are not recorded in the financial statements.

Lease commitments

The Foundation is committed under lease obligations for premises and office equipment with approximate annual rentals as follows:

	\$
2013	64,650
2014	64,650
2015	64,650
2016	7,300
	<u>201,250</u>

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10 Funds held in trust

The Foundation is holding \$12,209 (2011 - \$14,206) in trust for The National Coalition for Vision Health of which the Foundation is a member. These funds have not been included in the cash balances of the Foundation.

11 Related party transactions

During the current year, members of the Foundation's board of directors provided financial contributions amounting to \$126,442 (2011 - \$140,866).