THE BHUTAN CANADA FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2013
INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Bhutan Canada Foundation

We have audited the accompanying financial statements of The Bhutan Canada Foundation, which comprise the statement of financial position as at December 31, 2013, and the statements of operations and deficit 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 auditors consider 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 obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.
INDEPENDENT AUDITORS' REPORT
(continued)

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from donations and contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation, and we were not able to determine whether any adjustments might be necessary to revenue, (deficit) of revenue over expenses and net assets.

Qualified Opinion

In our opinion, except for the effect 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 Bhutan Canada Foundation as at December 31, 2013, 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.

WITHEY ADDISON LLP

Mississauga, Canada
August 7, 2014

Chartered Professional Accountants
Licensed Public Accountants
THE BHUTAN CANADA FOUNDATION
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013 2012

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 19,477</td>
<td>$ 50,649</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>-</td>
<td>5,494</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>2,380</td>
<td>6,727</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$ 21,857</strong></td>
<td><strong>$ 62,870</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
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</tr>
</thead>
<tbody>
<tr>
<td>CURRENT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$ 6,497</td>
<td>$ 5,015</td>
</tr>
<tr>
<td>Deposits - note 2</td>
<td>14,393</td>
<td>-</td>
</tr>
<tr>
<td>Due to 2170616 Ontario Inc. - note 3</td>
<td>73,230</td>
<td>88,230</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>94,120</strong></td>
<td><strong>93,245</strong></td>
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</table>

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th>(DEFICIT)</th>
<th>(30,375)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 21,857</strong></td>
<td><strong>$ 62,870</strong></td>
</tr>
</tbody>
</table>

Approved on behalf of the Board:

______________________________  ________________________________
Board Member                 Board Member

Subject to accompanying notes to the financial statements
# THE BHUTAN CANADA FOUNDATION

## STATEMENT OF OPERATIONS AND DEFICIT

**FOR THE YEAR ENDED DECEMBER 31, 2013 and 2012**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donations and contributions</td>
<td>$249,412</td>
<td>$302,246</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fundraising</td>
<td>19,811</td>
<td>21,697</td>
</tr>
<tr>
<td>International programs and support</td>
<td>217,533</td>
<td>241,191</td>
</tr>
<tr>
<td>Office administration - Toronto</td>
<td>53,956</td>
<td>56,371</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>291,300</td>
<td>319,259</td>
</tr>
<tr>
<td><strong>(DEFICIT) OF REVENUE OVER EXPENSES</strong></td>
<td>(41,888)</td>
<td>(17,013)</td>
</tr>
<tr>
<td><strong>(DEFICIT) - beginning</strong></td>
<td>(30,375)</td>
<td>(13,362)</td>
</tr>
<tr>
<td><strong>(DEFICIT)</strong></td>
<td>$ (72,263)</td>
<td>$ (30,375)</td>
</tr>
</tbody>
</table>

Subject to accompanying notes to the financial statements
THE BHUTAN CANADA FOUNDATION  
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013  2012

CASH PROVIDED FROM (USED FOR): OPERATING ACTIVITIES
(Deficit) of revenue over expenses $ (41,888) $ (17,013)
Changes in non-cash working capital balances
  Accounts receivable 5,494 206
  Prepaid expenses 4,347 4,167
  Accounts payable and accrued liabilities 1,482 (13,309)
  Deposits 14,393 -

(16,172) (25,949)

FINANCING ACTIVITIES
  Due to 2170616 Ontario Inc. (15,000) 49,431

NET (DECREASE) INCREASE IN CASH (31,172) 23,482

CASH - beginning 50,649 27,167

CASH $ 19,477 $ 50,649

Subject to accompanying notes to the financial statements
THE BHUTAN CANADA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

PURPOSE OF THE ORGANIZATION

The purpose of The Bhutan Canada Foundation (the "Foundation") is to advance education of students in Bhutan by teaching and providing books, equipment and educational aids to schools in Bhutan; to advance education by providing scholarships, bursaries, awards and other forms of financial assistance to Bhutanese students to attend school in Canada; and to advance health services in Bhutan by providing medical practitioners, supplies, training and logistical support.

The Foundation is a not-for-profit organization incorporated in the Province of Ontario as a Corporation without share capital. The Foundation is classified as a registered charity as defined in Section 149 of the Income Tax Act and is subject to the Charities Accounting Act and the Charities Gift Act. The Foundation's registered charitable number is 817719891RR0001.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

b) Use of estimates

The preparation of the Foundation's financial statements in conformity 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 and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in operations in the period in which they become known. Actual results in the future may differ from those estimates made.

c) Foreign exchange translation

Monetary assets and liabilities are translated to Canadian dollars at the exchange rate in effect at the statement of financial position date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Items appearing in the statement of operations and deficit are translated at average year rates. Exchange gains and losses are included in the statement of operations and deficit.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

d) Financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

e) Cash

The Foundation's policy is to disclose bank balances under cash.

f) Fixed assets

The Foundation does not capitalize or amortize its purchased fixed assets and expenses them on acquisition, which is in accordance with the Canadian accounting standards for not-for-profit organizations as the Foundation's average annual revenue for the current and preceding fiscal period is less than $500,000. Major categories of fixed assets not recorded in the statement of financial position include computer equipment and furniture. The total amount of acquired fixed assets expensed in 2013 is nil (2012 - nil).

g) Contributed goods and services

Contributed goods are recorded at fair value at the date of contribution when fair value is reasonably determinable. Otherwise, contributed goods are recorded at nominal amount. Contributed goods consisting of donations in kind of books received in 2013 with a fair value of $11,972 (2012 - $7,483) have been recognized in the statement of operations and deficit.

The Board of Directors and others contribute volunteer services to the Foundation in carrying out its operating activities. Because of the difficulty in determining the fair value of these contributed services, they are not recognized in the financial statements.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

h) Revenue recognition

The Foundation follows the deferral method of accounting for contributions.

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

Externally restricted donations and contributions are recognized as revenue in the year in which the related expenses are incurred.

Pledged donations are not recognized until received due to the uncertainty involved in their collection.

i) Expense allocation

Salaries and benefits expenses and consulting fees are allocated from international programs and support expenses to fundraising and office administration. The allocation is based on an assessment made by management, which takes into account the staffs' and consultants' time spent supporting each activity.

2. DEPOSITS

Deposits represent amounts received from teachers in Bhutan for the purchase of airfare and medical insurance for the future school year, which are purchased by the Foundation subsequent to the year end.

3. DUE TO 2170616 ONTARIO INC.

The balance due to 2170616 Ontario Inc., O/A Blyth Educational Travel (a company owned by the Chair of the Board), is non-interest bearing, unsecured and has no fixed terms of repayment. The transactions between the company and the Foundation are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.
4. ALLOCATION OF EXPENSES

The total amount of salaries and benefits expense and consulting fees allocated from international programs and support expenses to fundraising expenses in 2013 is $16,381 (2012 - $19,199). The total amount of salaries and benefits and consulting fees allocated from international programs and support expenses to office administration expenses in 2013 is $16,541 (2012 - $19,199).

5. ECONOMIC DEPENDENCE

Approximately 42% of the Foundations donations and contributions are from a Director of the Board and a related charity (2012 - 38% of the Foundations donations and contributions were from the Chair and a Director of the Board and their related charities). While the Foundation is dependent on these donations and contributions during the start up phase of operations, the Board is of the opinion that the Foundation will continue to grow and attract more public interest and donations.

6. RELATED PARTY TRANSACTIONS

No remuneration was paid to Directors or Officers during the year. In addition, 2170616 Ontario Inc., O/A Blyth Educational Travel ("Blyth") (a company owned by the Chair of the Board) provides bookkeeping and accounting services at no charge to the Foundation. In addition, salaries and consulting expenses of $123,600 (2012 - $119,050) and operating expenses of $41,087 (2012 - $54,907) were paid by Blyth and are reimbursed by the Foundation. Also, donation revenue of $8,636 (2012 - $7,186) was received by Blyth and transferred to the Foundation.

7. MAJOR COMMITMENTS

In February 2014, the Foundation terminated its premise lease with the Centre for Social Innovation and moved into an office located within 2170616 Ontario Inc., O/A Blyth Educational Travel (a company owned by the Chair of the Board), and agreed to pay a monthly rate of $1,220 for rent beginning March 1, 2014. In June 2014, the Foundation entered into a formal lease agreement with 2170616 Ontario Inc. Under the terms of the lease agreement, monthly rent is $1,220 including applicable taxes and the lease will continue until terminated by either party. The monthly rent is inclusive of utilities, shared use of common areas, and the shared photocopier and printer. The lease agreement contains a 60-day cancellation clause.
8. FINANCIAL INSTRUMENTS

The significant financial risks to which the Foundation is exposed to are currency risk and liquidity risk.

a) Currency risk

Currency risk refers to the risk that earnings will fluctuate due to changes in foreign exchange rates and from the degree of volatility in these rates.

The Foundation enters into foreign currency purchase transactions and has assets and liabilities that are denominated in foreign currencies and thus are exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. These assets and liabilities are of a short-term nature and the Board of Directors does not believe they represent a significant risk to the Foundation.

b) Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the Foundation not being able to liquidate assets in a timely manner at a reasonable price.

The Foundation meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

There have been no changes to the above noted risks from the prior year, with the exception of credit risk, as there is no accounts receivable outstanding at the end of the current fiscal year.