

**FINANCIAL STATEMENTS**

**INTERNATIONAL EYE  
FOUNDATION, INC.**

**FOR THE YEAR ENDED JUNE 30, 2018  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2017**

**INTERNATIONAL EYE FOUNDATION, INC.**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
International Eye Foundation, Inc.  
Kensington, MD

We have audited the accompanying financial statements of the International Eye Foundation, Inc. (the Foundation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation 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 auditing standards generally accepted in the United States of America. Those standards require that we 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2018, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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### **Report on Summarized Comparative Information**

The prior year summarized comparative information has been derived from the Foundation's 2017 financial statements, which were audited by other auditors and, in their report dated April 13, 2018, they expressed an unmodified opinion on those statements.

*Gelman Rosenberg & Freedman*

January 8, 2019

**INTERNATIONAL EYE FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

<b>ASSETS</b>		<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	52,258	\$ 411,696
Grants receivable		12,547	61,697
Other receivables		4,128	27,055
Inventory		18,605	20,556
Prepaid expenses		<u>5,206</u>	<u>2,512</u>
Total current assets		<u>92,744</u>	<u>523,516</u>
<b>FIXED ASSETS</b>			
Land		156,163	156,163
Buildings		708,946	662,681
Furniture and equipment		21,472	21,472
Other		<u>-</u>	<u>9,288</u>
		886,581	849,604
Less: Accumulated depreciation		<u>(280,626)</u>	<u>(263,096)</u>
Net fixed assets		<u>605,955</u>	<u>586,508</u>
<b>OTHER ASSETS</b>			
Investments - long-term		<u>1,410,049</u>	<u>1,552,220</u>
<b>TOTAL ASSETS</b>		<u><b>\$ 2,108,748</b></u>	<u><b>\$ 2,662,244</b></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Mortgage payable, current portion	\$	26,420	\$ 23,427
Accounts payable		120,055	53,913
Accrued expenses		<u>8,975</u>	<u>44,733</u>
Total current liabilities		<u>155,450</u>	<u>122,073</u>
<b>LONG-TERM LIABILITIES</b>			
Mortgage payable, net of current portion		<u>156,124</u>	<u>185,833</u>
Total liabilities		<u>311,574</u>	<u>307,906</u>
<b>NET ASSETS</b>			
Unrestricted		564,420	909,514
Board designated endowment		<u>173,090</u>	<u>355,782</u>
Total unrestricted net assets		737,510	1,265,296
Temporarily restricted		628,029	657,407
Permanently restricted		<u>431,635</u>	<u>431,635</u>
Total net assets		<u>1,797,174</u>	<u>2,354,338</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u><b>\$ 2,108,748</b></u>	<u><b>\$ 2,662,244</b></u>

See accompanying notes to financial statements.

## INTERNATIONAL EYE FOUNDATION, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>REVENUE</b>					
Contributions	\$ 605,264	\$ 14,000	\$ -	\$ 619,264	\$ 790,801
Non-governmental grants	168,757	-	-	168,757	154,025
Government grants	314,690	-	-	314,690	217,121
Investment income, net of fees	3,606	88,031	-	91,637	159,634
Contributed materials	2,541,750	-	-	2,541,750	3,000,000
Indirect public support	9,546	-	-	9,546	6,805
Special event revenue	8,162	-	-	8,162	2,925
Program service fees and equipment sales	79,064	-	-	79,064	145,094
Translation effect	2,285	-	-	2,285	(19,358)
Net assets released from donor restrictions	<u>131,409</u>	<u>(131,409)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>3,864,533</u>	<u>(29,378)</u>	<u>-</u>	<u>3,835,155</u>	<u>4,457,047</u>
<b>EXPENSES</b>					
Program Services:					
Operational Programs	<u>3,536,619</u>	<u>-</u>	<u>-</u>	<u>3,536,619</u>	<u>3,941,453</u>
Supporting Services:					
Fundraising	347,955	-	-	347,955	292,429
Management and General	<u>507,745</u>	<u>-</u>	<u>-</u>	<u>507,745</u>	<u>422,952</u>
Total supporting services	<u>855,700</u>	<u>-</u>	<u>-</u>	<u>855,700</u>	<u>715,381</u>
Total expenses	<u>4,392,319</u>	<u>-</u>	<u>-</u>	<u>4,392,319</u>	<u>4,656,834</u>
Change in net assets	(527,786)	(29,378)	-	(557,164)	(199,787)
Net assets at beginning of year	<u>1,265,296</u>	<u>657,407</u>	<u>431,635</u>	<u>2,354,338</u>	<u>2,554,125</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 737,510</u></b>	<b><u>\$ 628,029</u></b>	<b><u>\$ 431,635</u></b>	<b><u>\$ 1,797,174</u></b>	<b><u>\$ 2,354,338</u></b>

**INTERNATIONAL EYE FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018				2017	
	Program Services	Supporting Services			Total Expenses	Total Expenses
	Operational Programs	Fundraising	Management and General	Total Supporting Services		
Salaries	\$ 242,764	\$ 14,780	\$ 202,709	\$ 217,489	\$ 460,253	\$ 584,314
Insurance benefits and payroll taxes	53,048	6,521	123,155	129,676	182,724	96,519
Registration, dues and fees	10,900	7,535	1,380	8,915	19,815	7,165
Interest expense	4,237	268	4,135	4,403	8,640	9,838
Medical equipment	2,048	-	-	-	2,048	105,186
Medical supplies	2,541,750	-	-	-	2,541,750	3,000,000
Maintenance	9,319	83	1,247	1,330	10,649	33,137
Office supplies and expense	8,306	29,409	9,704	39,113	47,419	35,493
Bank fees	4,418	26,940	18,094	45,034	49,452	9,657
Postage	2,349	83,763	1,460	85,223	87,572	106,131
Printing	2,356	40,383	2,644	43,027	45,383	47,135
Professional fees	63,170	46,358	85,495	131,853	195,023	83,402
Mailshop fees	1,381	32,912	-	32,912	34,293	37,383
List rental	-	23,236	-	23,236	23,236	18,086
Office rent and utilities	42,891	3,520	12,400	15,920	58,811	11,144
Telephone	3,936	180	3,640	3,820	7,756	11,374
Travel and per diem	118,457	18	6,946	6,964	125,421	90,925
Subgrants	355,287	28,147	-	28,147	383,434	249,804
Training	68,552	14	505	519	69,071	47,885
Miscellaneous	-	-	5,900	5,900	5,900	45,063
Depreciation and amortization	-	-	24,959	24,959	24,959	20,110
Other insurance	1,450	3,888	3,372	7,260	8,710	7,083
<b>TOTAL EXPENSES</b>	<b>\$ 3,536,619</b>	<b>\$ 347,955</b>	<b>\$ 507,745</b>	<b>\$ 855,700</b>	<b>\$ 4,392,319</b>	<b>\$ 4,656,834</b>

See accompanying notes to financial statements.

## INTERNATIONAL EYE FOUNDATION, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (557,164)	\$ (199,787)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	24,959	19,340
Amortization	770	770
Unrealized loss (gain)	41,181	(108,033)
Realized gain	(100,989)	(17,018)
Loss on disposal	1,858	-
Decrease (increase) in:		
Grants receivable	49,150	(20,821)
Other receivables	22,927	102,433
Inventory	1,951	(2,784)
Prepaid expenses	(2,694)	-
Advances	-	(20,689)
Increase (decrease) in:		
Accounts payable	66,142	17,452
Accrued expenses	(35,758)	(1,454)
Accrued fixed obligation grant expenses	-	(34,950)
Net cash used by operating activities	<u>(487,667)</u>	<u>(265,541)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(46,264)	(43,927)
Purchases of investments	(31,608)	(136,395)
Proceeds from sales of investments	<u>233,587</u>	<u>144,209</u>
Net cash provided (used) by investing activities	<u>155,715</u>	<u>(36,113)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of mortgage payable	<u>(27,486)</u>	<u>(26,276)</u>
Net cash used by financing activities	<u>(27,486)</u>	<u>(26,276)</u>
Net decrease in cash and cash equivalents	(359,438)	(327,930)
Cash and cash equivalents at beginning of year	<u>411,696</u>	<u>739,626</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 52,258</u></b>	<b><u>\$ 411,696</u></b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest Paid	<b><u>\$ 8,640</u></b>	<b><u>\$ 9,838</u></b>

See accompanying notes to financial statements.



**INTERNATIONAL EYE FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

The International Eye Foundation, Inc. (the Foundation) is a non-profit organization whose purpose is to support and assist with the prevention and cure of blindness throughout the world, and to promote peace and goodwill through its efforts. Revenue is generated primarily through contributions, private and governmental grants and sales of medical supplies by SightReach Surgical, which is a social interest program of the Foundation that serves the eye care community in the developing world.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Cash and cash equivalents -

The Foundation considers all cash and other highly liquid investments, including certificates of deposit, with maturities of three months or less to be cash equivalents, and excluding money market funds held by investment managers in the amount of \$26,662 as of June 30, 2018. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, the Foundation maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

The Foundation had approximately \$2,286 of cash and cash equivalents held at financial institutions in foreign countries at June 30, 2018. The majority of funds invested in foreign countries are uninsured.

Investments -

Investments are recorded at their readily determinable fair value. Interests, dividends, realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. The Foundation's policy is to liquidate all gifts of investments as soon as possible after the gift.

Grants and other receivables -

Grants and other receivables are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

INTERNATIONAL EYE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally 10 to 39 years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the year ended June 30, 2018 totaled \$24,959.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation is not a private foundation.

Uncertain tax positions -

For the year ended June 30, 2018, the Foundation has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes, and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Inventory -

Inventory consists of medical supplies that have been purchased by the Foundation to be sold overseas and medical supplies that have been donated for use in overseas programs. For the year ended June 30, 2018, the Foundation adopted FASB ASU 2015-11 *Simplifying the Measurement of Inventory*, and as such, inventory is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory. The ASU is applied prospectively.

Debt issuance costs -

In accordance with the FASB ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, the Foundation presents debt issuance costs in the financial statement as a direct deduction from the related debt liability. Amortization of the costs is reported as interest expense.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Foundation and include both internally designated and undesignated resources.

INTERNATIONAL EYE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
(Continued)

Net asset classification (continued) -

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in perpetuity by the Foundation. There are restrictions placed on the use of investment earnings from these endowment funds.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

The Foundation receives funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants and support receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

Contributed materials -

Contributed materials consist of donated medical supplies that are used in various eye care programs. Contributed materials are recorded at their fair value as of the date of the gift.

Foreign currency translation -

The U. S. Dollar is the functional currency for the Foundation's worldwide operations. Transactions in currencies other than U.S. Dollars are translated into dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in currencies other than U.S. Dollars are translated into dollars at the exchange rate in effect at the date of the Statement of Financial Position.

**INTERNATIONAL EYE FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

The Foundation adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Foundation accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

SightReach Surgical Sales -

The Foundation sells new, high quality ophthalmic medical and surgical supplies to overseas organizations at reduced rates in order to make eye care and surgery affordable to those in need. Revenue from SightReach sales is recorded when the supplies are shipped. Sales amounted to \$43,221 for the year ended June 30, 2018 and are included in program service fees and equipment sales in the Statement of Activities and Change in Net Assets.

INTERNATIONAL EYE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Foreign operations

The Foundation has operations outside the United States in Cameroon, Africa. Foreign operations are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, Government price or foreign exchange controls, and restrictions on currency exchange. Net assets of foreign operations are less than 10% of the Foundation's total net assets.

Results of operations for the operations in Cameroon are translated from the local (functional) currency to the U.S. Dollar using average exchange rates during the period, while assets and liabilities are translated at the exchange rate in effect at the reporting date.

New accounting pronouncements (not yet adopted) -

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Foundation's financial statements, it is not expected to alter the Foundation's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. The Foundation has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606).

INTERNATIONAL EYE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

New accounting pronouncements (not yet adopted) (continued) -

The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The Foundation has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Foundation plans to adopt the new ASUs at the respective required implementation dates.

2. **INVESTMENTS**

Investments consisted of the following as of June 30, 2018:

	<u>Fair Value</u>
Money Market	\$ 26,662
Equities	515,792
Fixed income	71,544
Mutual funds	<u>796,051</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 1,410,049</u></b>

Included in investment income are the following at June 30, 2018:

Interest and dividends	\$ 49,744
Unrealized loss	(41,181)
Realized gain	100,989
Management fees	<u>(17,915)</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>\$ 91,637</u></b>

3. **BOARD DESIGNATED NET ASSETS**

The John Harry King Endowment Fund consists of board designated investments that may be spent on any board approved expenditure, including operating expenses. As of June 30, 2018, net assets designated by the Board of Directors are as follows:

<b>John Harry Kind Endowment Fund</b>	<b><u>\$ 173,090</u></b>
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INTERNATIONAL EYE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2018:

Endowment	\$ 606,989
Eye Hospital	14,000
Surgical Services	<u>7,040</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b>\$ <u>628,029</u></b>

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Endowment Releases	\$ 12,287
Surgical Services	38,060
Lions	<u>81,062</u>
<b>NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b>\$ <u>131,409</u></b>

5. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted endowments in which the principal is invested in perpetuity. The investment earnings from the Beach Fund are unrestricted.

The investment earnings from the Carrigan Endowment must be used to support the Latin America programs for sight restoration. As of June 30, 2018, permanently restricted net assets were as follows.

Beach Fund	\$ 32,100
Carrigan Fund - Latin America program	<u>399,535</u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>	<b>\$ <u>431,635</u></b>

6. CONTRIBUTED MATERIALS

During the year ended June 30, 2018, the Foundation was the beneficiary of donated medical supplies which allowed the Foundation to provide greater resources toward various programs. To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended June 30, 2018.

<b>Donated Medical Supplies</b>	<b>\$ <u>2,541,750</u></b>
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The following programs have benefited from these donated services at June 30, 2018:

<b>Operational Programs</b>	<b>\$ <u>2,541,750</u></b>
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**INTERNATIONAL EYE FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**7. MORTGAGE PAYABLE**

The Foundation has a mortgage for \$360,000 which has a variable interest rate and monthly payments of \$3,011. The note is collateralized by the assignment of rents and leases and a security agreement on the Foundation's building. Interest expense totaled \$8,640 for the year ended June 30, 2018.

The outstanding principal on the loan is as follows as of June 30, 2018, respectively.

Mortgage payable	\$ 188,019
Less: Current portion	(26,420)
Less: Deferred financing costs, net of accumulated amortization of \$4,688 at June 30, 2018	<u>(5,475)</u>
<b>LONG-TERM PORTION</b>	<b><u>\$ 156,124</u></b>

The following is a schedule of the future minimum principal payments:

**Year Ending June 30,**

2019	\$ 26,420
2020	25,476
2021	26,567
2022	27,704
2023	28,841
Thereafter	<u>53,011</u>
	<b><u>\$ 188,019</u></b>

**8. RETIREMENT PLAN**

The Foundation provides retirement benefits to its employees through a defined contribution plan covering participating employees. The Foundation provides a match of each eligible employee's contribution based on a percentage determined each year by the Foundation. For the year ended June 30, 2018, the Foundation contributed a match equal to 3%. Additional profit sharing contributions can be made to the plan at the Foundation's discretion. Employer contributions to the plan during the year ended June 30, 2018 totaled \$20,258.

**9. CONCENTRATION OF REVENUE**

Approximately 66% of the Foundation's revenue during the year ended June 30, 2018, was derived from one contributor. The Foundation has no reason to believe that relationships with this contributor will be discontinued in the foreseeable future.

However, any interruption of this relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect the Foundation's ability to finance ongoing operations.



**INTERNATIONAL EYE FOUNDATION, INC.**

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**10. FAIR VALUE MEASUREMENT**

In accordance with FASB ASC 820, *Fair Value Measurement*, the Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value.

- *Money market funds* - Valued at the daily closing price as reported by the fund. The money market fund is an open-end funds that are registered with the Securities and Exchange Commission (SEC). This fund is required to publish its daily net asset value (NAV) and to transact at that price. The money market fund is deemed to be actively traded.
- *Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by Foundation are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by Foundation are deemed to be actively traded.
- *Fixed income* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

The table below summarizes, by level within the fair value hierarchy as of June 30, 2018.

<b>Asset Class:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total June 30, 2018</b>
Money market	\$ 26,662	\$ -	\$ -	\$ 26,662
Equities	515,792	-	-	515,792
Mutual funds	796,051	-	-	796,051
Fixed income	-	71,544	-	71,544
<b>TOTAL</b>	<b>\$ 1,338,505</b>	<b>\$ 71,544</b>	<b>\$ -</b>	<b>\$ 1,410,049</b>

There were no transfers between levels in the fair value hierarchy during the year ended June 30, 2018. Transfers between levels are recorded at the end of the reporting period, if applicable.

**INTERNATIONAL EYE FOUNDATION, INC.**

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**11. ENDOWMENT**

The Foundation's endowment consists of three funds established for different purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Foundation to appropriate for expenditures or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Directors. As a result of this interpretation, the Foundation has not changed the way permanently restricted net assets are classified. See Note 1 for further information on net asset classification. The remaining portion of the donor-restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 606,989	\$ 431,635	\$ 1,038,624
Board-Designated Endowment Funds	<u>173,090</u>	<u>-</u>	<u>-</u>	<u>173,090</u>
<b>TOTAL FUNDS</b>	<b><u>\$ 173,090</u></b>	<b><u>\$ 606,989</u></b>	<b><u>\$ 431,635</u></b>	<b><u>\$ 1,211,714</u></b>

Changes in endowment net assets for the year ended June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 355,782	\$ 531,245	\$ 431,635	\$ 1,318,662
Investment return:				
Investment income	-	88,031	-	88,031
Appropriation of endowment assets for expenditure	<u>(182,692)</u>	<u>(12,287)</u>	<u>-</u>	<u>(194,979)</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b><u>\$ 173,090</u></b>	<b><u>\$ 606,989</u></b>	<b><u>\$ 431,635</u></b>	<b><u>\$ 1,211,714</u></b>

**INTERNATIONAL EYE FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**11. ENDOWMENT (Continued)**

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as fund of perpetual duration. In accordance with GAAP, there were no deficiencies of this nature that are reported in unrestricted net assets as of June 30, 2018. These deficiencies resulted from unfavorable market fluctuations occurred after the investment of permanently restricted contributions and continued appropriations for certain programs that was deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters -

The Foundation has adopted an investment policy, approved by the Board of Directors, for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of these endowment assets over the long term.

Endowment assets are invested in a well-diversified asset mix, which includes equity and fixed income securities that are intended to result in a consistent inflation protected rate of return that has sufficient liquidity to make an annual distribution of 4%, while growing the fund if possible. Accordingly, the Foundation expects its endowment assets, over time, to achieve a total annual return of 3% to 5%, net of fees and expenses, with minimal downside risk over the long term. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Foundation has established a spending policy that considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, two of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The policy allows for distribution of 4% of the moving average market value of the endowment funds as of June 30th for the current and prior two fiscal years. In establishing this policy, the Foundation considered the long-term expected investment return on its endowment. Thus, over the long-term, the Foundation expects the current spending policy to allow its endowment fund to grow modestly while generating a predictable stream of spendable income.

**12. SUBSEQUENT EVENTS**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through January 8, 2019, the date the financial statements were issued.