

INTERNATIONAL EYE FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

For the years ended June 30, 2017 and 2016

INTERNATIONAL EYE FOUNDATION, INC.

TABLE OF CONTENTS

	Page
Report of Independent Auditors	1-2
Financial Statements	
Statements of Financial Position	3-4
Statements of Activities	5-6
Statements of Functional Expenses	7-8
Statements of Cash Flows	9
Notes to Financial Statements	10-20
Report of Independent Auditors on Supplementary Information	21
Supplementary Information	
Schedules of Program Services Expenses	22
Schedule of Computation of Overhead Rate	23

REPORT OF INDEPENDENT AUDITORS

Board of Directors
International Eye Foundation, Inc.
Kensington, Maryland

We have audited the accompanying financial statements of International Eye Foundation, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 International Eye Foundation, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Columbia, Maryland
April 13, 2018

INTERNATIONAL EYE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 411,696	\$ 739,626
Grants receivable	61,697	164,130
Other receivables	27,055	6,234
Inventory	20,556	17,772
Prepaid expenses	2,512	2,512
Advances	-	34,494
	<u>523,516</u>	<u>964,768</u>
Total current assets		
	<u>523,516</u>	<u>964,768</u>
INVESTMENTS	<u>1,552,220</u>	<u>1,434,983</u>
PROPERTY AND EQUIPMENT		
Land	156,163	156,163
Building	662,681	624,650
Furniture and equipment	21,472	20,897
Website development costs	9,288	9,288
Total	<u>849,604</u>	<u>810,998</u>
Less accumulated depreciation and amortization	<u>263,096</u>	<u>249,077</u>
Net value of property and equipment	<u>586,508</u>	<u>561,921</u>
OTHER ASSET	<u>6,245</u>	<u>7,015</u>
	<u>\$ 2,668,489</u>	<u>\$ 2,968,687</u>

	<u>2017</u>	<u>2016</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 53,513	\$ 36,061
Accrued expenses	45,133	46,587
Mortgage payable, current portion	23,427	22,465
Accrued fixed obligation grant expenses	-	34,950
Advances	-	55,183
	<hr/>	<hr/>
Total current liabilities	122,073	195,246
 NONCURRENT LIABILITIES		
Mortgage payable, net of current portion	<u>192,078</u>	<u>219,316</u>
	<hr/>	<hr/>
Total liabilities	314,151	414,562
	<hr/>	<hr/>
 NET ASSETS		
Unrestricted	1,265,296	1,581,069
Temporarily restricted	657,407	541,421
Permanently restricted	<u>431,635</u>	<u>431,635</u>
	<hr/>	<hr/>
Total net assets	2,354,338	2,554,125
	<hr/>	<hr/>
	<u><u>\$ 2,668,489</u></u>	<u><u>\$ 2,968,687</u></u>

INTERNATIONAL EYE FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended June 30, 2017

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, Revenue, Gains and Losses				
Contributions	\$ 790,801	\$ -	\$ -	\$ 790,801
Government grants	217,121	-	-	217,121
Non-governmental grants	49,628	104,397	-	154,025
Donated medical supplies	3,000,000	-	-	3,000,000
Indirect public support	6,805	-	-	6,805
Special event revenue	2,925	-	-	2,925
Program service fees and equipment sales	145,094	-	-	145,094
Net investment gains, net of fees	32,287	127,347	-	159,634
Translation adjustment	(19,358)	-	-	(19,358)
Net assets released from restrictions	115,758	(115,758)	-	-
Total support, revenue, gains and losses	4,341,061	115,986	-	4,457,047
Expenses				
Program services:				
Operational programs	941,453	-	-	941,453
Donated medical supplies	3,000,000	-	-	3,000,000
Total program services	3,941,453	-	-	3,941,453
Supporting services:				
Fundraising	292,429	-	-	292,429
Management and general	422,952	-	-	422,952
Total supporting services	715,381	-	-	715,381
Total expenses	4,656,834	-	-	4,656,834
Change in net assets	(315,773)	115,986	-	(199,787)
Net Assets, Beginning	1,581,069	541,421	431,635	2,554,125
Net Assets, Ending	\$ 1,265,296	\$ 657,407	\$ 431,635	\$ 2,354,338

INTERNATIONAL EYE FOUNDATION
STATEMENTS OF ACTIVITIES
For the year ended June 30, 2016

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, Revenue, Gains and Losses				
Contributions	\$ 646,141	\$ -	\$ -	\$ 646,141
Government grants	401,397	-	-	401,397
Non-governmental grants	35,738	692,376	-	728,114
Donated medical supplies	3,287,250	-	-	3,287,250
Indirect public support	3,448	-	-	3,448
Special event revenue	20,078	-	-	20,078
Program service fees and equipment sales	284,069	-	-	284,069
Net investment losses, net of fees	(14,481)	(437)	-	(14,918)
Translation adjustment	-	-	-	-
Net assets released from restrictions	1,434,126	(1,434,126)	-	-
Total support, revenue, gains and losses	6,097,766	(742,187)	-	5,355,579
Expenses				
Program services:				
Operational programs	1,532,941	-	-	1,532,941
Donated medical supplies	3,287,250	-	-	3,287,250
Total program services	4,820,191	-	-	4,820,191
Supporting services:				
Fundraising	327,359	-	-	327,359
Management and general	365,415	-	-	365,415
Total supporting services	692,774	-	-	692,774
Total expenses	5,512,965	-	-	5,512,965
Change in net assets	584,801	(742,187)	-	(157,386)
Net Assets, Beginning	996,268	1,283,608	431,635	2,711,511
Net Assets, Ending	\$ 1,581,069	\$ 541,421	\$ 431,635	\$ 2,554,125

INTERNATIONAL EYE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2017

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Expenses
	Operational Programs	Donated Medical Supplies	Total Program Services	Fund-Raising	Management and General	Total Supporting Services	
Salaries	\$ 354,842	\$ -	\$ 354,842	\$ 17,301	\$ 212,171	\$ 229,472	\$ 584,314
Insuranceand payroll taxes	58,614	-	58,614	2,858	35,047	37,905	96,519
Registration, dues and fees	1,020	-	1,020	3,564	2,581	6,145	7,165
Interest expense	-	-	-	-	9,838	9,838	9,838
Medical equipment	105,186	-	105,186	-	-	-	105,186
Medical supplies	-	3,000,000	3,000,000	-	-	-	3,000,000
Maintenance	775	-	775	-	32,362	32,362	33,137
Office supplies	1,373	-	1,373	25,971	8,149	34,120	35,493
Bank fees	1,602	-	1,602	1,399	6,656	8,055	9,657
Postage	1,531	-	1,531	103,550	1,050	104,600	106,131
Printing	-	-	-	44,450	2,685	47,135	47,135
Professional fees	18,624	-	18,624	23,127	41,651	64,778	83,402
Mailshop fees	-	-	-	37,383	-	37,383	37,383
List rental	-	-	-	18,086	-	18,086	18,086
Office rent	7,090	-	7,090	321	3,733	4,054	11,144
Telephone	8,735	-	8,735	246	2,393	2,639	11,374
Travel and per diem	79,810	-	79,810	2,571	8,544	11,115	90,925
Project expense	13,323	-	13,323	-	-	-	13,323
Training	47,885	-	47,885	-	-	-	47,885
Miscellaneous	4,070	-	4,070	11,543	29,450	40,993	45,063
Depreciation and amortization	-	-	-	-	20,110	20,110	20,110
Subgrants	236,481	-	236,481	-	-	-	236,481
Other insurance	492	-	492	59	6,532	6,591	7,083
Total expenses	<u>\$ 941,453</u>	<u>\$ 3,000,000</u>	<u>\$ 3,941,453</u>	<u>\$ 292,429</u>	<u>\$ 422,952</u>	<u>\$ 715,381</u>	<u>\$ 4,656,834</u>

See notes to financial statements.

INTERNATIONAL EYE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2016

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Expenses
	Operational Programs	Donated Medical Supplies	Total Program Services	Fund-Raising	Management and General	Total Supporting Services	
Salaries	\$ 335,456	\$ -	\$ 335,456	\$ 23,224	\$ 238,426	\$ 261,650	\$ 597,106
Insurance and payroll taxes	42,322	-	42,322	4,481	48,619	53,100	95,422
Consultants	10,144	-	10,144	-	-	-	10,144
Registration, dues and fees	2,722	-	2,722	70,314	8,374	78,688	81,410
Interest expense	-	-	-	-	10,983	10,983	10,983
Medical equipment	269,741	-	269,741	-	-	-	269,741
Medical supplies	-	3,287,250	3,287,250	-	-	-	3,287,250
Maintenance	1,076	-	1,076	-	1,776	1,776	2,852
Office supplies	3,880	-	3,880	18,475	1,310	19,785	23,665
Bank fees	736	-	736	2,595	1,285	3,880	4,616
Postage	126	-	126	122,079	2,429	124,508	124,634
Printing	355	-	355	44,306	2,470	46,776	47,131
Professional fees	-	-	-	25,500	16,841	42,341	42,341
Office rent	-	-	-	-	4,562	4,562	4,562
Shipping and storage	6,180	-	6,180	-	126	126	6,306
Telephone	-	-	-	-	4,388	4,388	4,388
Travel and per diem	118,815	-	118,815	14	1,797	1,811	120,626
Training	56,307	-	56,307	-	-	-	56,307
Miscellaneous	12,564	-	12,564	16,371	-	16,371	28,935
Depreciation and amortization	-	-	-	-	20,283	20,283	20,283
Subgrants	672,517	-	672,517	-	-	-	672,517
Other insurance	-	-	-	-	1,746	1,746	1,746
Total expenses	<u>\$ 1,532,941</u>	<u>\$ 3,287,250</u>	<u>\$ 4,820,191</u>	<u>\$ 327,359</u>	<u>\$ 365,415</u>	<u>\$ 692,774</u>	<u>\$ 5,512,965</u>

INTERNATIONAL EYE FOUNDATION
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (199,787)	\$ (157,386)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	20,110	20,283
Realized gains on sale of investments	(17,018)	(31,803)
Unrealized (gains) losses on investments	(108,033)	88,133
Net change in:		
Grants receivable	102,433	487,881
Other receivables	(20,821)	28,073
Inventory	(2,784)	11,887
Prepaid expense	-	(143)
Advances	(20,689)	45,689
Accounts payable	17,452	(98,021)
Accrued expenses	(1,454)	14,835
Accrued fixed obligation grant expenses	(34,950)	13,843
	<u>(265,541)</u>	<u>423,271</u>
Net cash provided (used) by operating activities		
Cash Flows from Investing Activities		
Purchases of investments	(136,395)	(303,268)
Proceeds from sales and maturities of investments	144,209	315,176
Purchases of property and equipment	(43,927)	(2,829)
	<u>(36,113)</u>	<u>9,079</u>
Net cash provided (used) by investing activities		
Cash Flows from Financing Activities		
Repayment of mortgage payable	(26,276)	(25,143)
	<u>(26,276)</u>	<u>(25,143)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(327,930)	407,207
Cash and Cash Equivalents, Beginning	<u>739,626</u>	<u>332,419</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 411,696</u></u>	<u><u>\$ 739,626</u></u>
Supplemental Cash Flow Information:		
Interest paid	<u><u>\$ 9,838</u></u>	<u><u>\$ 10,983</u></u>

INTERNATIONAL EYE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2017 and 2016

NOTE 1 - DESCRIPTION OF ORGANIZATION

The International Eye Foundation, Inc. (the Foundation) is a nonprofit 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Under accounting principles generally accepted in the United States of America, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets - Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as in future periods or use for specified purposes.

Permanently restricted net assets - Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Foundation's actions.

Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit and overnight repurchase agreements. At times, these balances may exceed federal insurance limits; however, the Foundation has not experienced any losses with respect to the balances in excess of federally insured amounts. Management believes that no significant concentration of credit risk exists with respect to these cash balances.

INTERNATIONAL EYE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Other Receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management believes that receivables are fully collectible and no allowance for doubtful accounts is considered necessary at June 30, 2017 and 2016. Management believes the risk of incurring material losses related to grants and accounts receivable is remote. All accounts receivable are unsecured.

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. Purchased inventory is valued at the lower of cost or market. Costs are determined on a first-in, first-out basis. Donated inventory is valued at its fair value at the date of donation.

Investments

Investments consist of cash and cash equivalents, equities, government securities, and mutual funds and are recorded at fair market value based on quoted market prices. The effects of changes in the fair market value of these investments are reflected in the statements of activities as investment income. Investment securities in general are exposed to various risks, such as interest rate risk, financial market risk, and credit risk.

Investments in marketable securities are included in these statements at fair values that were in effect as of the date of the statements of financial position, which may differ from the amount ultimately realized at the time of sale. This difference may be material.

Fair Value Measurements

The Foundation complies with the U.S. GAAP authoritative guidance for Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The authoritative guidance describes three levels of inputs that may be used to measure fair value:

- *Level 1 inputs:* Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date (e. g., equity securities traded on the New York Stock Exchange)
- *Level 2 inputs:* Level 2 inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (e. g., quoted market prices of similar assets or liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active).

INTERNATIONAL EYE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Level 3 inputs:* Level 3 inputs are unobservable (e. g., a company's own data) and should be used to measure fair value to the extent that observable inputs are not available.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of the observable inputs and minimize the use of the unobservable inputs. For the years ended June 30, 2017 and 2016 there are no assets or liabilities measured using Level 3 inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Cash and Cash Equivalents: Valued at the closing price reported in the active market on which the individual securities are traded (Level 1) and is valued at cost which equals fair value.

Equity securities: Valued at the closing price reported in the active market on which the individual securities are traded.

Mutual Funds: Valued at the closing price reported in the active market on which the individual securities are traded.

U.S. Government and Agency Securities:

U.S. Treasury securities: U.S. Treasury securities are valued using quoted market prices and are generally classified as Level 1 in the fair value hierarchy.

U.S. agency securities: U.S. agency securities are comprised of two main categories, consisting of agency issued debt and mortgage pass-throughs. The fair value of agency issued debt securities is derived using market prices and recent trade activity gathered from independent dealer pricing services or brokers. Generally, the fair value of mortgage pass-throughs is based on market prices of comparable securities. Agency issued debt securities and mortgage pass-throughs are generally classified as Level 2 in the fair value hierarchy.

Property and Equipment

Property and equipment is recorded at cost if purchased, or at fair value if donated. The Foundation capitalizes property and equipment purchases over \$1,000 with an estimated useful life greater than one year. Depreciation of property and equipment is provided using the straight-line method over the assets' estimated useful lives ranging from ten to thirty-nine years. Website development costs, which represent amounts related to development of the Foundation's website, are amortized using the straight-line method over the estimated useful life of the asset, generally five years. Depreciation and amortization expense totaled \$20,110 and \$20,283 for the years ended June 30, 2017 and 2016, respectively.

INTERNATIONAL EYE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions

Gifts of cash and other assets are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified in the Statements of Activities as net assets released from restriction. Income on these net assets is classified as temporarily restricted or unrestricted in accordance with the donor's stipulation. Temporarily restricted grants and contributions are recorded as unrestricted if the restriction is satisfied in the same year as the grant or contribution is received.

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 Surgical sales is recorded when the supplies are shipped. Sales amounted to \$120,469 and \$265,353 for the years ended June 30, 2017 and 2016, respectively and are included in program service fees and equipment sales in the statements of activities.

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.

Functional Allocation of Expenses

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

Use of Estimates

The preparation of financial statements in accordance 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INTERNATIONAL EYE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications of prior year amounts were made to conform to the current year presentation.

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Foundation invests in a professionally managed portfolio that contains equities, bonds, mortgage and asset-backed securities, equity and bond mutual funds, and money market funds. Such investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

NOTE 4 - FAIR VALUE MEASUREMENTS AND INVESTMENTS

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the years ended June 30, 2017 and 2016, using quoted prices in active markets for identical assets (Level 1); quoted prices in markets that are not active or for significant other observable inputs (Level 2);

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
<u>June 30, 2017</u>			
Cash and cash equivalents	\$ 31,894	\$ 31,894	\$ -
Equity securities	595,558	595,558	-
Government securities	90,893	31,673	59,220
Mutual funds - equity	560,621	560,621	-
Mutual funds - fixed income	<u>273,254</u>	<u>273,254</u>	<u>-</u>
	<u>\$ 1,552,220</u>	<u>\$ 1,493,000</u>	<u>\$ 59,220</u>

INTERNATIONAL EYE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2017 and 2016

NOTE 4 - FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
<u>June 30, 2016</u>			
Cash and cash equivalents	\$ 44,842	\$ 44,842	\$ -
Equity securities	528,068	528,068	-
Government securities	80,332	45,293	35,039
Mutual funds - equity	525,596	525,596	-
Mutual funds - fixed income	<u>256,145</u>	<u>256,145</u>	<u>-</u>
	<u>\$ 1,434,983</u>	<u>\$ 1,399,944</u>	<u>\$ 35,039</u>

An investment could be considered impaired if its fair value is less than its cost basis. Management feels that all of the investment portfolio unrealized losses are temporary and no significant losses other than those already recorded will be recognized on these investments.

Investment income (loss) consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Interest, dividends, and capital gains	\$ 52,060	\$ 59,050
Net realized gains on sales of investments	17,018	31,803
Net unrealized gains (losses) on investments	108,033	(88,133)
Investment expenses	<u>(17,477)</u>	<u>(17,638)</u>
	<u>\$ 159,634</u>	<u>\$ (14,918)</u>

NOTE 5 - MORTGAGE PAYABLE

The Foundation has a mortgage for \$360,000 which has an interest rate of 4.2% per annum and has monthly payments of \$2,683. The note is collateralized by the assignment of rents and leases and a security agreement on the Foundation's building. Interest expense totaled \$9,838 and \$10,983 for the years ended June 30, 2017 and 2016, respectively.

Scheduled annual principal payments related to the mortgage note are as follows:

2018	\$ 23,427
2019	26,420
2020	25,476
2021	26,567
2022	27,704
Thereafter	<u>85,911</u>
Total	<u>\$ 215,505</u>

INTERNATIONAL EYE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2017 and 2016

NOTE 6 - RESTRICTIONS AND DESIGNATIONS OF NET ASSETS

Net assets consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Unrestricted net assets:		
Undesignated	\$ 909,514	\$ 1,257,303
Board designated – John Harry King		
Endowment Fund	<u>355,782</u>	<u>323,766</u>
	<u>1,265,296</u>	<u>1,581,069</u>
Temporarily restricted net assets:		
Lavelle Fund	-	17,423
Alcon Foundation	45,100	130,100
Carrigan Fund - Latin America Program	531,245	393,898
Lions	<u>81,062</u>	<u>-</u>
	<u>657,407</u>	<u>541,421</u>
Permanently restricted net assets:		
Beach Fund	32,100	32,100
Carrigan Fund - Latin America Program	<u>399,535</u>	<u>399,535</u>
	<u>431,635</u>	<u>431,635</u>
	<u>\$ 2,354,338</u>	<u>\$ 2,554,125</u>

The John Harry King Endowment Fund consists of board designated investments that may be spent on any board approved expenditure, including operating expenses.

Permanently restricted net assets consist of investments to be held indefinitely. 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.

Endowment Funds

The State of Maryland enacted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), the provisions of which apply to organizations with endowment funds existing on or established after the date of enactment.

INTERNATIONAL EYE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2017 and 2016

NOTE 6 - RESTRICTIONS AND DESIGNATIONS OF NET ASSETS (Continued)

The Foundation also follows accounting standards generally accepted in the United States of America related to *Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. Based on the Foundation's interpretation of UPMIFA, management has reviewed all of the Foundation's permanently restricted net assets and has determined that they meet the definition of endowment funds. In addition, the Foundation's practice of classifying the earnings from these funds as temporarily restricted net assets until appropriated for expenditure is consistent with the requirements under these standards.

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.

The Foundation's Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

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.

INTERNATIONAL EYE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2017 and 2016

NOTE 6 - RESTRICTIONS AND DESIGNATIONS OF NET ASSETS (Continued)

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.

Endowment Funds

Endowment net asset composition by type of fund as of June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 531,245	\$ 431,635	\$ 962,880
Board-designated endowment funds	<u>355,782</u>	<u>-</u>	<u>-</u>	<u>355,782</u>
	<u>\$ 355,782</u>	<u>\$ 531,245</u>	<u>\$ 431,635</u>	<u>\$ 1,318,662</u>

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 458,076	\$ 431,635	\$ 889,711
Board-designated endowment funds	<u>323,766</u>	<u>-</u>	<u>-</u>	<u>323,766</u>
	<u>\$ 323,766</u>	<u>\$ 458,076</u>	<u>\$ 431,635</u>	<u>\$ 1,213,477</u>

INTERNATIONAL EYE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2017 and 2016

NOTE 6 - RESTRICTIONS AND DESIGNATIONS OF NET ASSETS (Continued)

Changes in endowment net assets for the years ended June 30:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2015	\$ 377,909	\$ 471,399	\$ 431,635	\$ 1,280,943
Investment return:				
Net depreciation	(15,178)	(41,152)	-	(56,330)
Investment income	<u>15,015</u>	<u>40,715</u>	<u>-</u>	<u>55,730</u>
	<u>(163)</u>	<u>(437)</u>	<u>-</u>	<u>(600)</u>
Appropriation of endowment assets for expenditure	<u>(53,980)</u>	<u>(12,886)</u>	<u>-</u>	<u>(66,866)</u>
Endowment net assets, June 30, 2016	<u>323,766</u>	<u>458,076</u>	<u>431,635</u>	<u>1,213,477</u>
Investment return:				
Net appreciation	25,440	90,392	-	115,832
Investment income	<u>6,576</u>	<u>22,777</u>	<u>-</u>	<u>29,353</u>
	<u>32,016</u>	<u>113,169</u>	<u>-</u>	<u>145,185</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(40,000)</u>	<u>-</u>	<u>(40,000)</u>
Endowment net assets, June 30, 2017	<u>\$ 355,782</u>	<u>\$ 531,245</u>	<u>\$ 431,635</u>	<u>\$ 1,318,662</u>

NOTE 7 - DONATED GOODS AND SERVICES

The Foundation receives donated medical supplies that are used in various eye care programs. The donated supplies are reflected as inventory and revenue at their estimated market value on the date of donation. When the supplies are shipped to the program locations, their recorded market value is relieved from inventory and included in donated medical supplies expense on the statements of activities. Donated medical supplies received for the years ended June 30, 2017 and 2016 totaled \$3,000,000 and \$3,287,250, respectively.

During the year ending June 30, 2017, the Foundation received donated legal services of \$5,000, which is included in professional fees in the statements of functional expenses. There were no donated legal services in the year ending June 30, 2016.

INTERNATIONAL EYE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2017 and 2016

NOTE 8 - RETIREMENT PLAN

The Foundation sponsors a group annuity retirement plan to provide benefit payments for employees who have met certain eligibility requirements as described in the Plan. The Plan is funded entirely by employer contributions. Contributions to the Plan are discretionary and are determined by the board of directors each year. No contributions were made during the years ending June 30, 2017 or 2016. The Foundation also offers a tax deferred annuity plan (TDA) to which employees can make contributions. The Foundation cannot contribute to the TDA Plan.

NOTE 9 - INCOME TAXES

The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Foundation qualify for a charitable contribution deduction. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Foundation had no net unrelated business income for the years ended June 30, 2017 and 2016.

The income tax positions taken by the Foundation for any year open under the various statutes of limitations are that the Foundation continues to be exempt from income taxes and that the Foundation has properly reported unrelated business income that is subject to income taxes. The Foundation believes that there are no tax positions taken or expected to be taken that would significantly increase unrecognized tax benefits within 12 months of the reporting date. None of the Foundation's income tax returns are currently under examination. However, fiscal years 2014 and later remain subject to examination by the IRS and state authorities.

NOTE 10 - CONCENTRATIONS

The Foundation's financial instruments that are exposed to concentrations of credit risk consist of cash and a money market fund. At times, such balances may be in excess of the insurance limit as provided by the Federal Deposit Insurance Corporation. The Foundation places its cash and cash equivalents with high credit quality institutions. The Foundation has not experienced any losses in such accounts and believes it is not exposed to significant credit risk.

During the year ended June 30, 2017, one contributor provided 67% of total support. Two contributors contributed 68% of total support during the year ended June 30, 2016.

NOTE 11 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 13, 2018, which is the date the financial statements are available to be issued.

**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY INFORMATION**

Board of Directors
International Eye Foundation, Inc.
Kensington, Maryland

We have audited the financial statements of the International Eye Foundation, Inc. (a nonprofit corporation) as of and for the years ended June 30, 2017 and 2016, and have issued our report thereon dated April 13, 2018, which contained an unmodified opinion on those financial statements and appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

The supplementary information on pages 22 through 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

UHY LLP

Columbia, Maryland
April 13, 2018

INTERNATIONAL EYE FOUNDATION
SCHEDULES OF PROGRAM SERVICES EXPENSES
For the years ended June 30, 2017 and 2016

	2017				2016			
	Location				Location			
	Latin America	Africa	Other	Total	Latin America	Africa	Other	Total
Salaries	\$ 54,035	\$ 138,976	\$ 161,831	\$ 354,842	\$ 48,077	\$ 113,048	\$ 146,692	\$ 307,817
Insurance & payroll taxes	4,607	18,808	35,199	58,614	9,449	4,404	28,469	42,322
Consultants	-	-	-	-	10,144	-	-	10,144
Registration, dues and fees	700	320	-	1,020	2,348	-	150	2,498
Medical equipment	-	5,093	100,093	105,186	27,231	-	242,510	269,741
Medical supplies	-	3,000,000	-	3,000,000	-	3,287,250	-	3,287,250
Maintenance	-	775	-	775	-	1,076	-	1,076
Office supplies	-	1,316	57	1,373	25	2,601	934	3,560
Bank fees	-	1,602	-	1,602	30	-	645	675
Postage	59	377	1,095	1,531	-	-	116	116
Printing	-	-	-	-	-	326	-	326
Professional fees	-	9,540	9,084	18,624	-	-	-	-
Office rent	-	3,566	3,524	7,090	-	-	-	-
Telephone	-	676	8,059	8,735	-	-	-	-
Shipping and storage	-	-	-	-	-	-	6,180	6,180
Travel and per diem	29,276	27,021	23,513	79,810	25,704	52,722	40,389	118,815
Projects	-	13,323	-	13,323	-	-	-	-
Training	3,034	44,851	-	47,885	-	46,656	9,651	56,307
Miscellaneous	1,955	64	2,051	4,070	3,894	4,295	610	8,799
Subgrants	100,682	11,555	124,244	236,481	364,738	271,023	36,756	672,517
Other insurance	-	-	492	492	3,296	25,155	3,597	32,048
	<u>\$ 194,348</u>	<u>\$ 3,277,863</u>	<u>\$ 469,242</u>	<u>\$ 3,941,453</u>	<u>\$ 494,936</u>	<u>\$ 3,808,556</u>	<u>\$ 516,699</u>	<u>\$ 4,820,191</u>

INTERNATIONAL EYE FOUNDATION
SCHEDULE OF COMPUTATION OF OVERHEAD RATE
For the year ended June 30, 2017

	All Programs Total	Total Fundraising	Total Direct Expenses	Total Indirect Expenses	Total Unallowable Expenses	Total Expenses
Salaries	\$ 354,842	\$ 17,301	\$ 372,143	\$ 212,171	\$ -	\$ 584,314
Insurance benefits and payroll taxes	58,614	2,858	61,472	35,047	-	96,519
Registration, dues and fees	1,020	3,564	4,584	2,581	-	7,165
Interest expense	-	-	-	-	9,838	9,838
Medical equipment	-	-	-	-	105,186	105,186
Medical supplies	-	-	-	-	3,000,000	3,000,000
Maintenance	775	-	775	32,362	-	33,137
Office supplies	1,373	25,971	27,344	8,149	-	35,493
Bank fees	1,602	1,399	3,001	6,656	-	9,657
Postage	1,531	103,550	105,081	1,050	-	106,131
Printing	-	44,450	44,450	2,685	-	47,135
Professional fees	18,624	23,127	41,751	41,651	-	83,402
Mailshop fees	-	37,383	37,383	-	-	37,383
List rental	-	18,086	18,086	-	-	18,086
Office rent	7,090	321	7,411	3,733	-	11,144
Telephone	8,735	246	8,981	2,393	-	11,374
Travel and per diem	79,810	2,571	82,381	8,544	-	90,925
Project expense	13,323	-	13,323	-	-	13,323
Training	47,885	-	47,885	-	-	47,885
Miscellaneous	4,070	11,543	15,613	29,450	-	45,063
Depreciation and amortization	-	-	-	20,110	-	20,110
Subgrants	236,481	-	236,481	-	-	236,481
Other insurance	492	59	551	6,532	-	7,083
	<u>\$ 836,267</u>	<u>\$ 292,429</u>	<u>\$ 1,128,696</u>	<u>\$ 413,114</u>	<u>\$ 3,115,024</u>	<u>\$ 4,656,834</u>
Indirect expenses	<u>\$ 413,114</u>					
Direct expenses	<u>\$ 1,128,696</u>	<u>36.60%</u>				

See report of independent auditors on supplementary information.