

**INTERNATIONAL EYE FOUNDATION, INC.**

AUDITED FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

For the year ended June 30, 2016

# **INTERNATIONAL EYE FOUNDATION, INC.**

## **TABLE OF CONTENTS**

	<b>Page</b>
<b>Report of Independent Auditors</b>	1-2
<b>Financial Statements</b>	
Statement of Financial Position	3-4
Statement of Activities	5
Statement of Functional Expenses	6-7
Statement of Cash Flows	8
Notes to Financial Statements	9-19
<b>Report of Independent Auditors on Supplementary Information</b>	20
<b>Supplementary Information</b>	
Schedule of Program Services Expenses	21
Schedule of Computation of Overhead Rates	22

## **REPORT OF INDEPENDENT AUDITORS**

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

We have audited the accompanying financial statements of the International Eye Foundation, Inc. (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, 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.

### **Auditors' 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 International Eye Foundation, Inc. as of June 30, 2016 and the changes 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.

## **Correction of a Misstatement**

As disclosed in Note 3 to the financial statements, a misstatement resulting in an understatement of unrestricted net assets was discovered during the current year. Accordingly, adjustments have been made to net assets as of July 1, 2015, to correct the misstatement. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink, appearing to read "UHYUP".

Columbia, Maryland  
May 16, 2017

**INTERNATIONAL EYE FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2016**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 739,626	
Grants receivable	164,130	
Other receivables	6,234	
Inventory	17,772	
Prepaid expense	2,512	
Deposit	<u>34,494</u>	
Total current assets		\$ 964,768

INVESTMENTS 1,434,983

**PROPERTY AND EQUIPMENT**

Land	156,163	
Building	624,650	
Furniture and equipment	20,897	
Website development costs	<u>9,288</u>	
Total	810,998	
Less accumulated depreciation and amortization	<u>249,077</u>	
Net property and equipment		561,921

OTHER ASSET - Loan refinancing costs 7,015

\$ 2,968,687

## LIABILITIES AND NET ASSETS

### CURRENT LIABILITIES

Accounts payable	\$ 36,061
Accrued expenses	46,587
Advances	55,183
Accrued fixed obligation grant expenses	34,950
Mortgage payable, current portion	<u>22,465</u>

Total current liabilities \$ 195,246

MORTGAGE PAYABLE, net of current portion 219,316

Total liabilities 414,562

### NET ASSETS

Unrestricted	1,581,069
Temporarily restricted	541,421
Permanently restricted	<u>431,635</u>

Total net assets 2,554,125

\$ 2,968,687

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>				
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 revenues	20,078	-	-	20,078
Investment loss	(14,481)	(437)	-	(14,918)
Program service fees and equipment sales	284,069	-	-	284,069
Net assets released from restrictions	1,434,126	(1,434,126)	-	-
	<u>6,097,766</u>	<u>(742,187)</u>	<u>-</u>	<u>5,355,579</u>
<b>Expenses</b>				
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
	<u>584,801</u>	<u>(742,187)</u>	<u>-</u>	<u>(157,386)</u>
<b>Change in net assets</b>				
<b>Net Assets, Beginning, As Previously Stated</b>	898,760	1,283,608	431,635	2,614,003
<b>Prior period adjustment, correction of an error</b>	97,508	-	-	97,508
<b>Net Assets, Beginning, As Restated</b>	996,268	1,283,608	431,635	2,711,511
<b>Net Assets, Ending</b>	<u>\$ 1,581,069</u>	<u>\$ 541,421</u>	<u>\$ 431,635</u>	<u>\$ 2,554,125</u>

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

	<b>PROGRAM SERVICES</b>		
	<b>Operational Programs</b>	<b>Donated Medical Supplies</b>	<b>Total Program Services</b>
Salaries	\$ 307,817	\$ -	\$ 307,817
Insurance benefits	38,131	-	38,131
Other benefits	4,191	-	4,191
Consultants	10,144	-	10,144
Registration, dues and fees	2,498	-	2,498
Interest expense	-	-	-
Medical equipment	269,741	-	269,741
Medical supplies	-	3,287,250	3,287,250
Maintenance	1,076	-	1,076
Office supplies	3,560	-	3,560
Bank fees	675	-	675
Postage	116	-	116
Printing	326	-	326
Professional fees	-	-	-
Office rent	-	-	-
Shipping and storage	6,180	-	6,180
Telephone	-	-	-
Travel and per diem	118,815	-	118,815
Training	56,307	-	56,307
Miscellaneous	8,799	-	8,799
Depreciation and amortization	-	-	-
Subgrants	672,517	-	672,517
Other insurance	-	-	-
Indirect allocation	32,048	-	32,048
	<u>\$ 1,532,941</u>	<u>\$ 3,287,250</u>	<u>\$ 4,820,191</u>
Total expenses	\$ 1,532,941	\$ 3,287,250	\$ 4,820,191

See notes to financial statements.



<b>SUPPORTING SERVICES</b>			
<b>Fund- Raising</b>	<b>Management and General</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>
\$ 23,224	\$ 266,065	\$ 289,289	\$ 597,106
4,481	48,619	53,100	91,231
-	-	-	4,191
-	-	-	10,144
70,314	8,598	78,912	81,410
-	10,983	10,983	10,983
-	-	-	269,741
-	-	-	3,287,250
-	1,776	1,776	2,852
18,475	1,630	20,105	23,665
2,595	1,346	3,941	4,616
122,079	2,439	124,518	124,634
44,306	2,499	46,805	47,131
25,500	16,841	42,341	42,341
-	4,562	4,562	4,562
-	126	126	6,306
-	4,388	4,388	4,388
14	2,902	2,916	121,731
-	-	-	56,307
16,371	2,660	19,031	27,830
-	20,283	20,283	20,283
-	-	-	672,517
-	1,746	1,746	1,746
-	(32,048)	(32,048)	-
<u>\$ 327,359</u>	<u>\$ 365,415</u>	<u>\$ 692,774</u>	<u>\$ 5,512,965</u>

**INTERNATIONAL EYE FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
For the year ended June 30, 2016

**Cash Flows from Operating Activities**

Change in net assets		\$ (157,386)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	\$ 20,283	
Realized gains on sale of investments	(31,803)	
Unrealized losses on investments	88,133	
Net change in:		
Grants receivable	487,881	
Other receivables	28,073	
Inventory	11,887	
Prepaid expense	(143)	
Deposit	(9,494)	
Accounts payable	(98,021)	
Accrued expenses	14,835	
Advances	55,183	
Accrued fixed obligation grant expenses	13,843	
		<hr/>
Net cash provided by operating activities		423,271

**Cash Flows from Investing Activities**

Purchases of investments	(303,268)	
Proceeds from sales of investments	315,176	
Purchase of property and equipment	(2,829)	
		<hr/>
Net cash provided by investing activities		9,079

**Cash Flows from Financing Activities**

Repayment of mortgage payable	<hr/> (25,143)
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**Net Change in Cash and Cash Equivalents** 407,207

**Cash and Cash Equivalents, Beginning** 

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332,419

**Cash and Cash Equivalents, Ending** 

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\$ 739,626

Supplemental Cash Flow Information:

Interest paid	<hr/> \$ 10,983
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See notes to financial statements.

**INTERNATIONAL EYE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 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 year ended June 30, 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, 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 its average cost. Donated inventory is valued at its fair market 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 of marketable securities are included in these statements at fair values that were in effect as of the date of the Statement of Financial Position, which may differ from the amount ultimately realized at the time of sale. This difference may be material.

**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 three 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. Depreciation and amortization expense for property and equipment was \$20,283 for the year ended June 30, 2016.

**Fair Value Measurements**

- *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).

**INTERNATIONAL EYE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- *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).
- *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 year ended June 30, 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.

**INTERNATIONAL EYE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 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 Statement 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.

**Loan Refinance Costs**

Loan refinance costs totaling \$10,163 at June 30, 2016, are being amortized on the straight-line basis over the life of the related loan (15 years). Accumulated amortization totaled \$3,148 at June 30, 2016. Amortization expense totaled \$770 for the year ended June 30, 2016.

**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 \$289,069 for the year ended June 30, 2016 and are included in program service fees and equipment sales in the Statement 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 Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**INTERNATIONAL EYE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**NOTE 3 - CORRECTION OF AN ERROR**

The Foundation has a location in Cameroon, Africa for which the results of operations from this location were not included with the Foundation in years prior to FY16. During the year ended June 30, 2016, management determined that since the Foundation has direct control over the location in Cameroon through a majority voting interest of the board of directors, this location should therefore be included in these financial statements. Accordingly, the Foundation restated beginning net assets as of July 1, 2015. The effect of this restatement is to increase net assets at July 1, 2015 by \$97,508.

**NOTE 4 - 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 risk. 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.

**INTERNATIONAL EYE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended June 30, 2016

**NOTE 5 - 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 year ended June 30, 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>
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:

Interest and dividend income	\$ 59,050
Net realized gains on sales of investments	31,803
Net unrealized losses on investments	(88,133)
Investment expenses	<u>(17,638)</u>
	<u>\$ (14,918)</u>

**NOTE 6 - MORTGAGE PAYABLE**

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



**INTERNATIONAL EYE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended June 30, 2016

**NOTE 6 - MORTGAGE PAYABLE (Continued)**

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

2017	\$ 22,465
2018	23,427
2019	24,430
2020	25,476
2021	26,567
Thereafter	<u>119,416</u>
Total	<u>\$ 241,781</u>

**NOTE 7 - RESTRICTIONS AND DESIGNATIONS OF NET ASSETS**

Net assets consist of the following at June 30, 2016:

Unrestricted net assets:	
Undesignated	\$ 1,257,274
Board designated – John Harry King	
Endowment Fund	<u>323,795</u>
	<u>1,581,069</u>
Temporarily restricted net assets:	
Lavelle Fund	17,423
Alcon Foundation	130,100
Carrigan Fund - Latin America Program	<u>393,898</u>
	<u>541,421</u>
Permanently restricted net assets:	
Beach Fund	32,100
Carrigan Fund - Latin America Program	<u>399,535</u>
	<u>431,635</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.

**INTERNATIONAL EYE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 7 - RESTRICTIONS AND DESIGNATIONS OF NET ASSETS (Continued)**

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.

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.

**INTERNATIONAL EYE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended June 30, 2016

**NOTE 7 - RESTRICTIONS AND DESIGNATIONS OF NET ASSETS (Continued)**

**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.

**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 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 year ended June 30, 2016

**NOTE 7 - RESTRICTIONS AND DESIGNATIONS OF NET ASSETS (Continued)**

Changes in endowment net assets are as follows:

	<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>

**NOTE 8 - 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 year ended June 30, 2016 were \$3,287,250.

**NOTE 9 - 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 employer contributions were made to the Plan during the year ended June 30, 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.

**INTERNATIONAL EYE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended June 30, 2016**

**NOTE 10 - 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 year ended June 30, 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 2013 and later remain subject to examination by the IRS and state authorities.

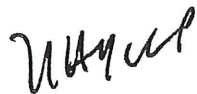
**NOTE 11 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 16, 2017, 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. as of and for the year ended June 30, 2016, and our report thereon dated May 16, 2017, which expressed an unmodified opinion on those financial statements 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 21 through 22 are presented for purposes of additional analysis and are 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.



Columbia, Maryland  
May 16, 2017.

**INTERNATIONAL EYE FOUNDATION**  
**SCHEDULE OF PROGRAM SERVICES EXPENSES**  
For the year ended June 30, 2016

	<b>Location</b>			
	<b>Latin America</b>	<b>Africa</b>	<b>Other</b>	<b>Total</b>
Salaries	\$ 48,077	\$ 113,048	\$ 146,692	\$ 307,817
Insurance benefits	9,449	213	28,469	38,131
Other benefits	-	4,191	-	4,191
Consultants	10,144	-	-	10,144
Registration, dues and fees	2,348	-	150	2,498
Medical equipment	27,231		242,510	269,741
Medical supplies	-	3,287,250	-	3,287,250
Maintenance	-	1,076	-	1,076
Office supplies	25	2,601	934	3,560
Bank fees	30	-	645	675
Postage	-	-	116	116
Printing	-	326	-	326
Shipping and storage	-	-	6,180	6,180
Travel and per diem	25,704	52,722	40,389	118,815
Training	-	46,656	9,651	56,307
Miscellaneous	3,894	4,295	610	8,799
Subgrants	364,738	271,023	36,756	672,517
Indirect allocation	3,296	25,155	3,597	32,048
	<u>\$ 494,936</u>	<u>\$ 3,808,556</u>	<u>\$ 516,699</u>	<u>\$ 4,820,191</u>

*See report of independent auditors on supplementary information.*

**INTERNATIONAL EYE FOUNDATION**  
**SCHEDULE OF COMPUTATION OF OVERHEAD RATE**  
For the year ended June 30, 2016

	<b>All Programs Total</b>	<b>Total Fundraising</b>	<b>Total Direct Expenses</b>	<b>Total Indirect Expenses</b>	<b>Total Unallowable Expenses</b>	<b>Total Expenses</b>
Salaries	\$ 307,817	\$ 23,224	\$ 331,041	\$ 266,065	\$ -	\$ 597,106
Insurance benefits	38,131	4,481	42,612	48,619	-	91,231
Other benefits	4,191	-	4,191	-	-	4,191
Consultants	10,144	-	10,144	-	-	10,144
Registration, dues and fees	2,498	51,744	54,242	8,598	18,570	81,410
Interest expense	-	-	-	10,983	-	10,983
Medical equipment	-	-	-	-	269,741	269,741
Medical supplies	-	-	-	-	3,287,250	3,287,250
Maintenance	1,076	-	1,076	1,776	-	2,852
Office supplies	3,560	18,475	22,035	1,630	-	23,665
Bank fees	675	2,595	3,270	1,346	-	4,616
Postage	116	122,079	122,195	2,439	-	124,634
Printing	326	44,306	44,632	2,499	-	47,131
Professional fees	-	25,500	25,500	16,841	-	42,341
Office rent	-	-	-	4,562	-	4,562
Shipping and storage	6,180	-	6,180	126	-	6,306
Telephone	-	-	-	4,388	-	4,388
Travel and per diem	118,815	14	118,829	2,902	-	121,731
Training	56,307	-	56,307	-	-	56,307
Miscellaneous	8,799	16,371	25,170	2,660	-	27,830
Depreciation and amortization	-	-	-	20,283	-	20,283
Subgrants	672,517	-	672,517	-	-	672,517
Other insurance	-	-	-	1,746	-	1,746
	<u>\$ 1,231,152</u>	<u>\$ 308,789</u>	<u>\$ 1,539,941</u>	<u>\$ 397,463</u>	<u>\$ 3,575,561</u>	<u>\$ 5,512,965</u>
<u>Indirect expenses</u>	\$ 397,463					
<u>Direct expenses</u>	<u>\$ 1,539,941</u>	<u>25.81%</u>				

See report of independent auditors on supplementary information.