

FINANCIAL STATEMENTS

**INTERNATIONAL EYE
FOUNDATION, INC.**

**FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

INTERNATIONAL EYE FOUNDATION, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

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, 2019, 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, 2019, 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

We have previously audited the Foundation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

June 17, 2020

INTERNATIONAL EYE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 117,240	\$ 52,258
Investments, current portion	194,737	371,425
Grants receivable, current portion	221,972	12,547
Accounts receivable	6,273	4,128
Inventory	-	18,605
Prepaid expenses	1,801	5,206
Other assets	<u>39,300</u>	<u>-</u>
Total current assets	<u>581,323</u>	<u>464,169</u>
FIXED ASSETS		
Land	156,163	156,163
Buildings	713,596	708,946
Furniture and equipment	8,743	21,472
Website	<u>24,560</u>	<u>-</u>
	903,062	886,581
Less: Accumulated depreciation and amortization	<u>(295,583)</u>	<u>(280,626)</u>
Net fixed assets	<u>607,479</u>	<u>605,955</u>
OTHER ASSETS		
Investments, net of current portion	1,056,296	1,038,624
Grants receivable, net of current portion	<u>112,918</u>	<u>-</u>
Total other assets	<u>1,169,214</u>	<u>1,038,624</u>
TOTAL ASSETS	<u>\$ 2,358,016</u>	<u>\$ 2,108,748</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Mortgage payable, current portion	\$ 10,619	\$ 26,420
Note payable, current portion	60,000	-
Accounts payable	92,439	120,055
Accrued expenses	<u>20,601</u>	<u>8,975</u>
Total current liabilities	<u>183,659</u>	<u>155,450</u>
LONG-TERM LIABILITIES		
Mortgage payable, net of current portion	143,942	156,124
Note payable, net of current portion	<u>23,000</u>	<u>-</u>
Total long-term liabilities	<u>166,942</u>	<u>156,124</u>
Total liabilities	<u>350,601</u>	<u>311,574</u>
NET ASSETS		
Without donor restrictions	448,905	737,510
With donor restrictions	<u>1,558,510</u>	<u>1,059,664</u>
Total net assets	<u>2,007,415</u>	<u>1,797,174</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,358,016</u>	<u>\$ 2,108,748</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, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	<u>2019</u>			<u>2018</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Contributions	\$ 376,162	\$ 603,050	\$ 979,212	\$ 619,264
Government grants	331,723	-	331,723	314,690
Non-governmental grants	30,500	-	30,500	168,757
Contributed materials and services	3,056,528	-	3,056,528	2,541,750
Investment income, net	19,219	56,672	75,891	91,637
Event revenue	16,912	-	16,912	8,162
Indirect public support	4,925	-	4,925	9,546
Program service fees and equipment sales	-	-	-	79,064
Other revenue	1,385	-	1,385	2,285
Net assets released from donor restrictions	<u>160,876</u>	<u>(160,876)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>3,998,230</u>	<u>498,846</u>	<u>4,497,076</u>	<u>3,835,155</u>
EXPENSES				
Program Services:				
Operational Programs	<u>3,543,754</u>	<u>-</u>	<u>3,543,754</u>	<u>3,536,619</u>
Supporting Services:				
Fundraising	247,232	-	247,232	347,955
Management and General	<u>495,849</u>	<u>-</u>	<u>495,849</u>	<u>507,745</u>
Total supporting services	<u>743,081</u>	<u>-</u>	<u>743,081</u>	<u>855,700</u>
Total expenses	<u>4,286,835</u>	<u>-</u>	<u>4,286,835</u>	<u>4,392,319</u>
Change in net assets	(288,605)	498,846	210,241	(557,164)
Net assets at beginning of year	<u>737,510</u>	<u>1,059,664</u>	<u>1,797,174</u>	<u>2,354,338</u>
NET ASSETS AT END OF YEAR	<u>\$ 448,905</u>	<u>\$ 1,558,510</u>	<u>\$ 2,007,415</u>	<u>\$ 1,797,174</u>

INTERNATIONAL EYE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019				2018	
	Program Services	Supporting Services				
	Operational Programs	Fundraising	Management and General	Total Supporting Services	Total Expenses	Total Expenses
Medical supplies	\$ 3,012,328	\$ -	\$ -	\$ -	\$ 3,012,328	\$ 2,541,750
Salaries	259,645	28,137	251,087	279,224	538,869	599,074
Professional fees	12,461	144,578	77,884	222,462	234,923	210,921
Insurance benefits and payroll taxes	10,071	14	99,881	99,895	109,966	164,965
Subgrants	109,461	-	-	-	109,461	305,064
Travel and per diem	78,433	9	391	400	78,833	124,004
Depreciation and amortization	-	-	28,524	28,524	28,524	25,729
Registration, dues and fees	12,950	7,572	3,627	11,199	24,149	29,199
Bank fees	2,126	15,604	2,774	18,378	20,504	30,707
Postage	1,266	16,892	1,095	17,987	19,253	101,235
Medical equipment	18,605	-	-	-	18,605	47,151
Printing	2,539	12,367	3,108	15,475	18,014	45,384
Other insurance	6,119	937	6,630	7,567	13,686	8,554
List rental	-	9,557	-	9,557	9,557	23,236
Telephone	4,628	596	3,867	4,463	9,091	7,756
Maintenance	354	66	6,983	7,049	7,403	7,455
Interest expense	2,936	545	3,854	4,399	7,335	8,640
Office rent and utilities	3,879	329	2,326	2,655	6,534	9,915
Mailshop fees	-	6,251	-	6,251	6,251	32,912
Office supplies and expense	1,567	326	3,600	3,926	5,493	33,530
Program supplies	1,528	3,301	-	3,301	4,829	25,670
Miscellaneous	2,858	151	218	369	3,227	9,468
TOTAL	\$ 3,543,754	\$ 247,232	\$ 495,849	\$ 743,081	\$ 4,286,835	\$ 4,392,319

See accompanying notes to financial statements.

INTERNATIONAL EYE FOUNDATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 210,241	\$ (557,164)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	28,524	25,729
Conversion of vendor payable to note payable	108,000	-
Unrealized (gain) loss on investments	(3,038)	41,181
Realized gain on sale of investments	(11,751)	(100,989)
Loss on disposal of fixed assets	-	1,858
(Increase) decrease in:		
Grants receivable	(322,343)	49,150
Accounts receivable	(2,145)	22,927
Inventory	18,605	1,951
Prepaid expenses	3,405	(2,694)
Other assets	(39,300)	-
(Decrease) increase in:		
Accounts payable	(27,616)	66,142
Accrued expenses	<u>11,626</u>	<u>(35,758)</u>
Net cash used by operating activities	<u>(25,792)</u>	<u>(487,667)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(29,210)	(46,264)
Purchases of investments	(366,066)	(31,608)
Proceeds from sales of investments	<u>539,871</u>	<u>233,587</u>
Net cash provided by investing activities	<u>144,595</u>	<u>155,715</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of mortgage payable	(28,821)	(27,486)
Repayment of note payable	<u>(25,000)</u>	<u>-</u>
Net cash used by financing activities	<u>(53,821)</u>	<u>(27,486)</u>
Net increase (decrease) in cash and cash equivalents	64,982	(359,438)
Cash and cash equivalents at beginning of year	<u>52,258</u>	<u>411,696</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 117,240</u>	<u>\$ 52,258</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 7,335</u>	<u>\$ 8,640</u>

INTERNATIONAL EYE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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 Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended June 30, 2019 and applied retrospectively.

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, 2018, 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 \$11,173 as of June 30, 2019. 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 \$26,544 of cash and cash equivalents held at financial institutions in foreign countries at June 30, 2019. The majority of funds invested in foreign countries are uninsured.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses, in the accompanying 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 accounts receivable -

Grants and accounts receivable are recorded at their net realizable value, which approximates fair value. Grants receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. All grants and accounts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

INTERNATIONAL EYE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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. Website development costs are amortized over five years once placed in service. Costs incurred for the ongoing maintenance of the existing website are expensed as incurred. The capitalization and ongoing assessment of recoverability of website development costs incurred require reasonable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility and estimated economic life. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended June 30, 2019 totaled \$27,686.

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, 2019, 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.

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 -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor or certain grantor restrictions are recorded as net assets without donor restrictions. Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.

INTERNATIONAL EYE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Net asset classification (continued) -

- **Net Assets With Donor Restrictions** - Contributions restricted by donors or certain grantors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions and grants -

Contributions and grants received are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as without donor restrictions 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 net assets with donor restrictions in the accompanying financial statements. The Foundation receives funding under grants and contracts from the U.S. government, 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 revenue without donor restrictions to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. Grants 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 and services -

Contributed materials and services consist of donated medical supplies, auction items and legal services. Donated medical supplies are used in various eye care programs. Contributed materials and services 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.

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.

INTERNATIONAL EYE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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. Expenses directly attributed to a specific functional area of the Foundation are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

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. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of June 30, 2018 as unrestricted net assets in the amount of \$737,510 are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets and permanently restricted net assets in the amount of \$628,029 and \$431,635, respectively, are now classified as net assets with donor restrictions.

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.

INTERNATIONAL EYE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

New accounting pronouncements (not yet adopted) -

FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. During 2020, the FASB delayed the implementation date under ASU 2020-05 for an additional year. Organizations may elect to adopt the guidance for annual reporting periods beginning after December 15, 2019 and for interim periods within annual reporting periods beginning after December 15, 2020. Early adoption is still permitted.

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). 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.

FASB issued ASU 2019-01, *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. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

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, 2019:

	<u>Fair Value</u>
Money market	\$ 11,173
Equities	742,316
Mutual funds	252,322
Fixed income	<u>245,222</u>
TOTAL INVESTMENTS	<u>\$ 1,251,033</u>

INTERNATIONAL EYE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

2. INVESTMENTS (Continued)

Included in net investment income are the following at June 30, 2019:

Interest and dividends	\$ 75,686
Unrealized gain	3,038
Realized gain	11,751
Management fees	<u>(14,584)</u>

TOTAL INVESTMENT INCOME, NET **\$ 75,891**

3. GRANTS RECEIVABLE

As of June 30, 2019, contributors to the Foundation have made written promises to give totaling \$339,452. Grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 2%.

Grants are due as follows at June 30, 2019:

Less than one year	\$ 221,972
One to five years	<u>117,480</u>
Total	339,452
Less: Allowance to discount balance to present value	<u>(4,562)</u>

GRANTS RECEIVABLE **\$ 334,890**

4. 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, 2019, net assets designated by the Board of Directors are as follows:

John Harry King Endowment Fund **\$ 161,598**

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2019:

Subject to expenditure for specified purpose:	
Accumulated earnings from endowments not yet authorized for spending	\$ 624,661
Eye Hospital	421,288
Surgical services	80,926
Endowment contributions to be invested in perpetuity	<u>431,635</u>

TOTAL NET ASSETS WITH DONOR RESTRICTIONS **\$ 1,558,510**

INTERNATIONAL EYE FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

5. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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

Accumulated earnings from endowments authorized for spending	\$ 39,000
Purpose restrictions accomplished:	
Eye Hospital	85,763
Surgical Services	<u>36,113</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 160,876</u>

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 117,240
Investments, current portion	194,737
Grants receivable	334,890
Accounts receivable	<u>6,273</u>
Subtotal financial assets available within one year	653,140
Less: Donor restricted funds	(502,214)
Less: Board-designated funds	<u>(161,598)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ (10,672)</u>

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Occasionally, the Board designates a portion of any operating surplus to its liquidity reserve, which was \$161,598 as of June 30, 2019. This fund established by the governing board may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

7. CONTRIBUTED MATERIALS AND SERVICES

During the year ended June 30, 2019, the Foundation was the beneficiary of donated medical supplies, auction items and legal services. To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended June 30, 2019.

Donated medical supplies	\$ 3,012,328
Auction items	39,300
Donated legal services	<u>4,900</u>
TOTAL	<u>\$ 3,056,528</u>

INTERNATIONAL EYE FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

7. CONTRIBUTED MATERIALS AND SERVICES (Continued)

The following programs have benefited from these donated services at June 30, 2019:

Operational programs	\$ 3,012,328
Fundraising	39,300
Management and general	<u>4,900</u>
TOTAL	<u>\$ 3,056,528</u>

8. 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 \$7,335 for the year ended June 30, 2019. The outstanding principal on the loan is as follows as of June 30, 2019.

Mortgage payable	\$ 159,198
Less: Current portion	(10,619)
Less: Deferred financing costs, net of accumulated amortization of \$5,526 at June 30, 2019	<u>(4,637)</u>
LONG-TERM PORTION	<u>\$ 143,942</u>

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

Year Ending June 30,

2020	\$ 9,849
2021	22,385
2022	24,696
2023	27,246
2024	30,059
Thereafter	<u>44,963</u>
	<u>\$ 159,198</u>

9. NOTE PAYABLE

On April 9, 2019, the Foundation entered into a \$108,000 note payable. The term of the note is 21 months and principal payments began April 2019. The note bears interest, compounded annually, at 1.5% per month. If all payments are made on or before the due date all interest charges will be waived. The maturity date is November 30, 2020. As of June 30, 2019, the total outstanding balance of the note payable was \$83,000.

Principal payments are due as follows:

Year Ending June 30,

2020	\$ 60,000
2021	<u>23,000</u>
	<u>\$ 83,000</u>

INTERNATIONAL EYE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

10. 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, 2019, 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, 2019 totaled \$13,036.

11. CONCENTRATION OF REVENUE

Approximately 57% of the Foundation's revenue during the year ended June 30, 2019, 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.

12. 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. There have been no changes in the methodologies used as of June 30, 2019.

- *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.

INTERNATIONAL EYE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

12. FAIR VALUE MEASUREMENT (Continued)

- *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, 2019.

	Level 1	Level 2	Level 3	Total
Asset Class:				
Money market	\$ 11,173	\$ -	\$ -	\$ 11,173
Equities	742,316	-	-	742,316
Mutual funds	252,322	-	-	252,322
Fixed income	-	245,222	-	245,222
TOTAL	\$ 1,005,811	\$ 245,222	\$ -	\$ 1,251,033

There were no transfers between levels in the fair value hierarchy during the year ended June 30, 2019. Transfers between levels are recorded at the end of the reporting period, if applicable.

13. ENDOWMENT

The Foundation's endowment consists of donor-restricted endowment funds and funds designated by the governing Board to function as endowments. 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 is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net asset also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation 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.

INTERNATIONAL EYE FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

13. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board Designated Endowment Funds:	\$ 161,598	\$ -	\$ 161,598
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	431,635	431,635
Accumulated investment earnings	<u>-</u>	<u>624,661</u>	<u>624,661</u>
TOTAL ENDOWMENT FUNDS	<u>\$ 161,598</u>	<u>\$ 1,056,296</u>	<u>\$ 1,217,894</u>

Changes in endowment net assets for the year ended June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 173,090	\$ 1,038,624	\$ 1,211,714
Investment income, net	7,586	56,672	64,258
Appropriation of endowment assets for expenditure	<u>(19,078)</u>	<u>(39,000)</u>	<u>(58,078)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 161,598</u>	<u>\$ 1,056,296</u>	<u>\$ 1,217,894</u>

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 as of June 30, 2019.

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.

INTERNATIONAL EYE FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

13. ENDOWMENT (Continued)

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.

14. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 17, 2020, the date the financial statements were issued.

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Foundation's operations. The overall potential impact is unknown at this time.

On May 1, 2020, the Foundation entered into a five-year promissory note agreement in the amount of \$98,355 with a 1% fixed interest rate under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part.