

**SANKARA EYE
FOUNDATION, USA
FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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Certified Public Accountants
A Professional Corporation

Member AICPA Firms Division

Aurelio Yuen, CPA
Stanley M. Tolle, CPA
Thomas J. Parry, CPA

One Post Street, Suite 2150
San Francisco, California 94104
Telephone 415-705-5615
Facsimile 415-705-5633
www.bensonneff.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sankara Eye Foundation, USA
Milpitas, California

We have audited the accompanying statements of financial position of Sankara Eye Foundation, USA as of December 31, 2011 and 2010 and the related statements of activities, functional expenses and cash flows for the year ended December 31, 2011. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Foundation's 2010 financial statements and, in our report dated November 11, 2011 we expressed an unqualified opinion on those financial statements.

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 an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sankara Eye Foundation, USA as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the year ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.


Benson & Neff
Certified Public Accountants,
A Professional Corporation

San Francisco, California
September 14, 2012

Sankara Eye Foundation, USA

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT		
Cash	\$ 1,615,767	\$ 2,606,126
Contributions receivable	<u>4,806</u>	<u>5,600</u>
	1,620,573	2,611,726
MARKETABLE EQUITY SECURITIES (Cost 2011, \$6,514; 2010, \$10,912)	4,795	7,870
DEPOSIT	39,400	48,400
FIXED ASSETS	<u>2,143</u>	<u>3,000</u>
	<u>\$ 1,666,911</u>	<u>\$ 2,670,996</u>
LIABILITIES		
CURRENT		
Accrued expenses	\$ <u>36,810</u>	\$ <u>32,152</u>
NET ASSETS		
UNRESTRICTED	1,200,255	1,137,210
TEMPORARILY RESTRICTED	<u>429,846</u>	<u>1,501,634</u>
	<u>1,630,101</u>	<u>2,638,844</u>
	<u>\$ 1,666,911</u>	<u>\$ 2,670,996</u>

See Notes to Financial Statements

Sankara Eye Foundation, USA

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2011, WITH COMPARATIVE TOTALS FOR 2010

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	2010
REVENUE, GAINS (LOSSES) AND OTHER SUPPORT				
Contributions	\$1,845,687	\$ 1,179,606	\$ 3,025,293	\$ 4,457,244
Special events, net of expenses of \$220,349	72,373	-	72,373	115,026
Investment income	1,292	-	1,292	1,468
Net realized gain (loss) on marketable equity securities	(1,260)	-	(1,260)	(587)
Net unrealized gain (loss) on marketable equity securities	1,322	-	1,322	973
NET ASSETS RELEASED FROM RESTRICTIONS:				
Satisfaction of program restrictions	<u>2,251,394</u>	<u>(2,251,394)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>4,170,808</u>	<u>(1,071,788)</u>	<u>3,099,020</u>	<u>4,574,124</u>
EXPENSES:				
Capital projects	2,251,394	-	2,251,394	2,163,795
Cataract surgeries	1,309,106	-	1,309,106	632,500
General and administrative	244,820	-	244,820	239,660
Fundraising and promotion	<u>302,443</u>	<u>-</u>	<u>302,443</u>	<u>388,200</u>
Total expenses	<u>4,107,763</u>	<u>-</u>	<u>4,107,763</u>	<u>3,424,155</u>
CHANGE IN NET ASSETS	63,045	(1,071,788)	(1,008,743)	1,149,969
NET ASSETS, beginning of year	<u>1,137,210</u>	<u>1,501,634</u>	<u>2,638,844</u>	<u>1,488,875</u>
NET ASSETS, end of year	<u>\$1,200,255</u>	<u>\$ 429,846</u>	<u>\$ 1,630,101</u>	<u>\$ 2,638,844</u>

See Notes to Financial Statements

Sankara Eye Foundation, USA

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2011, WITH COMPARATIVE TOTALS FOR 2010

	<u>PROGRAM SERVICES</u>		<u>SUPPORTING SERVICES</u>		<u>TOTAL</u>	<u>2010</u>
	<u>CAPITAL PROJECTS</u>	<u>CATARACT SURGERIES</u>	<u>GENERAL & ADMINIS- TRATIVE</u>	<u>FUND RAISING</u>		
Grants	\$2,251,394	\$1,309,106	\$ -	\$ -	\$3,560,500	\$2,796,295
Salaries and related	-	-	136,810	60,664	197,474	272,644
Advertising and promotions	-	-	-	114,137	114,137	124,107
Production and design	-	-	6,501	37,640	44,141	40,617
Printing and publications	-	-	640	42,210	42,850	36,434
Professional fees	-	-	39,160	-	39,160	20,513
Building occupancy	-	-	31,816	3,535	35,351	21,132
Postage and shipping	-	-	9,989	20,003	29,992	31,435
Other	-	-	2,956	12,141	15,097	19,903
Office supplies	-	-	7,031	192	7,223	5,186
Telecommunications	-	-	3,578	3,578	7,156	9,058
Travel and meetings	-	-	1,468	4,388	5,856	36,932
Bank fees	-	-	1,318	3,955	5,273	6,395
Insurance	-	-	2,696	-	2,696	2,433
Depreciation	-	-	857	-	857	857
Equipment maintenance	-	-	-	-	-	214
	<u>\$2,251,394</u>	<u>\$1,309,106</u>	<u>\$ 244,820</u>	<u>\$ 302,443</u>	<u>\$4,107,763</u>	<u>\$3,424,155</u>

See Notes to Financial Statements

Sankara Eye Foundation, USA

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(1,008,743)	\$ 1,149,969
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	857	857
Contribution of marketable equity securities	(47,318)	(137,104)
Net gain on marketable equity securities	(62)	(386)
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	794	(5,100)
Deposit	9,000	(46,899)
Increase (decrease) in:		
Accrued expenses	<u>4,658</u>	<u>28,152</u>
Net cash provided by (used in) operating activities	<u>(1,040,814)</u>	<u>989,489</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of marketable equity securities	<u>50,455</u>	<u>134,282</u>
Net cash provided by investing activities	<u>50,455</u>	<u>134,282</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(990,359)	1,123,771
CASH, beginning of year	<u>2,606,126</u>	<u>1,482,355</u>
CASH, end of year	<u>\$ 1,615,767</u>	<u>\$ 2,606,126</u>

See Notes to Financial Statements

Sankara Eye Foundation, USA

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 1. NATURE OF FOUNDATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Foundation:

Sankara Eye Foundation USA is a California nonprofit corporation that is engaged in fund raising and other activities to eradicate curable blindness by supporting delivery organizations that build eye care hospitals and provide free eye surgeries to the rural poor in India.

Significant Accounting Policies:

Basis of Presentation:

The financial statement presentation follows the recommendations of the FASB ASC 958-205, Presentation of Financial Statements of Not-for-Profit Entities. Under ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

Accrual Basis:

The financial statements have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables and payables, other liabilities and prepaid expenses.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Marketable Equity Securities:

Marketable equity securities are carried at fair value, and unrealized gains and losses are reported in the statement of activities. Fair values are based on quoted market prices for those or similar investments.

Fixed Assets and Depreciation:

All fixed asset expenditures greater than \$1,000 are capitalized and recorded at cost. Depreciation and amortization are computed on the straight-line method. Furniture and fixtures are depreciated over 7 years.

Contributions:

Contributions of cash and other assets are reported as temporarily 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 to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Sankara Eye Foundation, USA

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 1. NATURE OF FOUNDATION AND SIGNIFICANT ACCOUNTING POLICIES (cont.)

Significant Accounting Policies (cont.):

Donated Services:

No amounts have been recognized in the financial statements for donated services since no objective basis is available to measure the value of such services.

Advertising and Promotion:

Advertising and promotion costs are expensed as incurred.

Income Taxes:

The Foundation is exempt from income tax under provisions of Section 501(c)(3) of the Internal Revenue Code and the applicable provisions of the California Revenue and Taxation Code.

The Foundation's Forms 990, *Return of Organization Exempt from Income Tax*, and Forms 199, *California Exempt Organization Annual Information Return*, for the years ended 2011, 2010 and 2009 are subject to examination by the IRS and California Franchise Tax Board, respectively, generally for three years after they are filed.

Functional Allocation of Expenses:

Expenses are allocated into functional categories depending on the ultimate purpose of the expenditure. Expenses have been summarized in the accompanying financial statements as follows:

Program services include funds transmitted to Sankara Eye Society, India for cataract surgeries and capital projects, consisting primarily of the construction of eye care facilities.

Supporting services include expenses that are indirectly related to a specific program service in the accomplishment of the Foundation's tax exempt purposes.

Note 2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2011 and 2010 consist of contributions received for the purposes of building of eye care facilities in India.

Note 3. COMPARATIVE AMOUNTS

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Sankara Eye Foundation, USA

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 4. CONCENTRATION OF CREDIT RISK

The Foundation maintains cash in various bank deposit accounts which at times, may exceed federally insured limits. The Foundation believes it is not exposed to any significant credit risk with respect to these accounts.

Note 5. FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs are from other than quoted market prices included in Level 1 that are observable, either directly or indirectly, and Level 3 inputs are unobservable and have the lowest priority. At December 31, 2011 and 2010, all of the Foundation's investments are considered Level 1 financial instruments.

Note 6. FIXED ASSETS

	<u>2011</u>	<u>2010</u>
Furniture	\$ 6,000	\$ 6,000
Depreciation	<u>(3,857)</u>	<u>(3,000)</u>
	<u>\$ 2,143</u>	<u>\$ 3,000</u>

Note 7. ADVERTISING EXPENSE

Advertising expense was \$127,455 and \$135,162 for 2011 and 2010, respectively.

Note 8. LEASE EXPENSE AND LEASE COMMITMENTS

The Foundation's existing office lease expires May 1, 2015. Lease expense for the years ended December 31, 2011 and 2010 was \$35,351 and \$21,131, respectively. Future minimum lease payments are as follows:

2012	\$ 12,200
2013	12,300
2014	12,300
2015	<u>4,100</u>
	<u>\$ 40,900</u>

Note 9. SUBSEQUENT EVENTS

Management has evaluated and reviewed subsequent events that would impact the financial statements for the year ended December 31, 2011 through the issuance date of the financial statements, as of September 14, 2012. Management is not aware of subsequent events that require recognition in the financial statements or disclosures.