

**SANKARA EYE
FOUNDATION, USA
FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Sankara Eye Foundation, USA, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of cash flows for the years then ended and the related statements of activities and functional expenses for the year ended December 31, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Foundation's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Sankara Eye Foundation, USA as of December 31, 2013 and 2012, and its cash flows for the years then ended, and the changes in its net assets for the year ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Sankara Eye Foundation, USA's 2012 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 24, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Benson & Neff
Certified Public Accountants,
A Professional Corporation

San Francisco, California
October 6, 2014

Sankara Eye Foundation, USA

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT		
Cash	\$ 4,148,098	\$ 3,861,227
Contributions receivable	<u>12,706</u>	<u>1,406</u>
	4,160,804	3,862,633
RESTRICTED CASH	700,081	-
MARKETABLE EQUITY SECURITIES (Cost 2013, \$7,052; 2012, \$5,666)	5,872	3,567
DEPOSIT	55,375	2,400
FIXED ASSETS	<u>4,323</u>	<u>4,258</u>
	<u>\$ 4,926,455</u>	<u>\$ 3,872,858</u>
LIABILITIES		
CURRENT		
Accrued expenses	\$ 29,506	\$ 47,780
NOTE PAYABLE	<u>700,000</u>	<u>-</u>
	<u>729,506</u>	<u>47,780</u>
NET ASSETS		
UNRESTRICTED	2,161,524	1,794,187
TEMPORARILY RESTRICTED	<u>2,035,425</u>	<u>2,030,891</u>
	<u>4,196,949</u>	<u>3,825,078</u>
	<u>\$ 4,926,455</u>	<u>\$ 3,872,858</u>

See Notes to Financial Statements

Sankara Eye Foundation, USA

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2013, WITH COMPARATIVE TOTALS FOR 2012

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	2012
REVENUE, GAINS (LOSSES) AND OTHER SUPPORT				
Contributions	\$ 2,112,375	\$ 1,454,534	\$ 3,566,909	\$ 5,968,412
Special events, net of expenses of \$844,886	(95,278)	-	(95,278)	253,632
Investment income	660	-	660	680
Net realized gain (loss) on marketable equity securities	(83)	-	(83)	260
Net unrealized gain (loss) on marketable equity securities	918	-	918	(379)
NET ASSETS RELEASED FROM RESTRICTIONS:				
Satisfaction of program restrictions	<u>1,450,000</u>	<u>(1,450,000)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>3,468,592</u>	<u>4,534</u>	<u>3,473,126</u>	<u>6,222,605</u>
EXPENSES:				
Capital projects	1,450,000	-	1,450,000	2,600,000
Cataract surgeries	984,450	-	984,450	801,500
General and administrative	360,944	-	360,944	319,036
Fundraising and promotion	<u>305,861</u>	<u>-</u>	<u>305,861</u>	<u>307,092</u>
Total expenses	<u>3,101,255</u>	<u>-</u>	<u>3,101,255</u>	<u>4,027,628</u>
CHANGE IN NET ASSETS	367,337	4,534	371,871	2,194,977
NET ASSETS, beginning of year	<u>1,794,187</u>	<u>2,030,891</u>	<u>3,825,078</u>	<u>1,630,101</u>
NET ASSETS, end of year	<u>\$ 2,161,524</u>	<u>\$ 2,035,425</u>	<u>\$ 4,196,949</u>	<u>\$ 3,825,078</u>

See Notes to Financial Statements

Sankara Eye Foundation, USA

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2013, WITH COMPARATIVE TOTALS FOR 2012

	<u>PROGRAM SERVICES</u>		<u>SUPPORTING SERVICES</u>		<u>TOTAL</u>	<u>2012</u>
	<u>CAPITAL PROJECTS</u>	<u>CATARACT SURGERIES</u>	<u>GENERAL & ADMINIS- TRATIVE</u>	<u>FUND RAISING</u>		
Grants	\$1,450,000	\$ 984,450	\$ -	\$ -	\$2,434,450	\$3,401,500
Salaries and related expenses	-	-	176,868	59,254	236,122	206,544
Advertising and promotion	-	-	-	161,637	161,637	169,312
Production and design	-	-	54,984	-	54,984	50,379
Printing and publications	-	-	1,415	48,828	50,243	43,154
Postage and shipping	-	-	4,176	18,764	22,940	34,465
Building occupancy	-	-	33,282	3,698	36,980	31,615
Travel and meetings	-	-	17,170	3,550	20,720	26,932
Professional fees	-	-	19,829	-	19,829	20,031
Bank fees	-	-	27,766	-	27,766	16,123
Other	-	-	7,067	219	7,286	9,225
Telecommunications	-	-	4,457	4,457	8,914	7,641
Office supplies	-	-	7,595	5,454	13,049	6,586
Insurance	-	-	4,334	-	4,334	2,829
Depreciation	-	-	1,693	-	1,693	1,187
Equipment maintenance	-	-	308	-	308	105
	<u>\$1,450,000</u>	<u>\$ 984,450</u>	<u>\$ 360,944</u>	<u>\$ 305,861</u>	<u>\$3,101,255</u>	<u>\$4,027,628</u>

See Notes to Financial Statements

Sankara Eye Foundation, USA

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 371,871	\$ 2,194,977
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,693	1,187
Contribution of securities	(129,556)	(20,463)
Proceeds from sale of contributed securities	128,087	21,571
Net (gain) loss on marketable equity securities	(835)	119
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	(11,300)	3,400
Deposit	(52,975)	37,000
Increase (decrease) in:		
Accrued expenses	<u>(18,275)</u>	<u>10,971</u>
Net cash provided by operating activities	<u>288,710</u>	<u>2,248,762</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(1,758)</u>	<u>(3,302)</u>
Net cash used in investing activities	<u>(1,758)</u>	<u>(3,302)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in restricted cash	(700,081)	-
Note payable	<u>700,000</u>	<u>-</u>
Net cash used in financing activities	<u>(81)</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	286,871	2,245,460
CASH, beginning of year	<u>3,861,227</u>	<u>1,615,767</u>
CASH, end of year	<u><u>\$ 4,148,098</u></u>	<u><u>\$ 3,861,227</u></u>

See Notes to Financial Statements

Sankara Eye Foundation, USA

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012

Note 1. NATURE OF FOUNDATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Foundation:

Sankara Eye Foundation, USA (Foundation) 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, 2013 AND 2012

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 these services do not meet the criteria for recognition as contributed 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*, are generally subject to examination by the IRS and California Franchise Tax Board for three years and four years, respectively, 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, 2013 and 2012 consist of contributions received for the purpose of building eye care facilities in India. During the year ended December 31, 2013, the Foundation received and spent \$1,450,000 for this purpose.

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, 2012, from which the summarized information was derived.

Sankara Eye Foundation, USA

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012

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. RESTRICTED CASH

Restricted cash consists of a money market account held as collateral for a note payable (see Note 8.).

Note 6. 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. The following table provides further details of the fair value measurements of the investments as of December 31, 2013 and 2012:

		Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets
<u>December 31, 2013</u>	<u>Fair Value</u>	<u>(Level 1)</u>
Common stocks	\$ <u>5,872</u>	\$ <u>5,872</u>
<u>December 31, 2012</u>		
Common stocks	\$ <u>3,567</u>	\$ <u>3,567</u>

Note 7. FIXED ASSETS

	<u>2013</u>	<u>2012</u>
Equipment and furniture	\$ 11,060	\$ 9,302
Depreciation	<u>(6,737)</u>	<u>(5,044)</u>
	\$ <u>4,323</u>	\$ <u>4,258</u>

Note 8. NOTE PAYABLE

On December 18, 2013, the Foundation's officers signed a note payable with a financial institution for \$700,000. The note bears 4.5% annual interest, which is paid quarterly starting March 31, 2014, and the principal along with the final interest payment is due December 31, 2016. The note is secured by a money market account with a balance of \$700,081 at December 31, 2014.

Sankara Eye Foundation, USA

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012

Note 9. ADVERTISING EXPENSE

Advertising expense was \$161,637 and \$169,312 for 2013 and 2012, respectively.

Note 10. LEASE EXPENSE AND LEASE COMMITMENTS

In September 2013, the Foundation's existing office lease was amended and expires December 31, 2018. Lease expense for the years ended December 31, 2013 and 2012 was \$36,980 and \$31,615, respectively. Future minimum lease payments are as follows:

2014	\$ 41,790
2015	42,984
2016	44,178
2017	45,372
2018	<u>46,566</u>
	<u>\$ 220,890</u>

Note 11. SUBSEQUENT EVENTS

Management has evaluated and reviewed subsequent events that would impact the financial statements for the year ended December 31, 2013 through the issuance date of the financial statements, as of October 6, 2014. Management is not aware of subsequent events that require recognition in the financial statements or disclosures.