

**SANKARA EYE
FOUNDATION, USA
FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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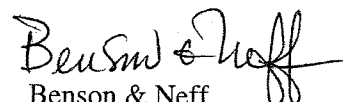
INDEPENDENT AUDITOR'S REPORT

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, 2007 and 2006 and the related statements of activities, functional expenses and cash flows for the year ended December 31, 2007. 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 2006 financial statements and, in our report dated November 12, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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, 2007 and 2006, and the changes in its net assets and its cash flows for the year ended December 31, 2007 in conformity with U.S. generally accepted accounting principles.


Benson & Neff
Certified Public Accountants,
A Professional Corporation

San Francisco, California
September 18, 2008

Sankara Eye Foundation, USA

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT		
Cash	\$ 1,800,055	\$ 1,738,036
Accounts receivable	6,000	-
Prepaid expenses	<u>-</u>	<u>23,175</u>
	1,806,055	1,761,211
MARKETABLE EQUITY SECURITIES		
(Cost 2008, \$8,373; 2007, \$13,894)	6,178	11,162
DEPOSIT		
	1,500	-
FIXED ASSETS		
	<u>5,571</u>	<u>-</u>
	<u>\$ 1,819,304</u>	<u>\$ 1,772,373</u>
LIABILITIES		
CURRENT		
Accrued expenses	\$ <u>7,720</u>	\$ <u>27,050</u>
NET ASSETS		
UNRESTRICTED	162,779	219,647
TEMPORARILY RESTRICTED	<u>1,648,805</u>	<u>1,525,676</u>
	<u>1,811,584</u>	<u>1,745,323</u>
	<u>\$ 1,819,304</u>	<u>\$ 1,772,373</u>

See Notes to Financial Statements

Sankara Eye Foundation, USA

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2007, WITH COMPARATIVE TOTALS FOR 2006

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED CAPITAL PROJECTS</u>	<u>TOTAL</u>	<u>2006</u>
REVENUE, GAINS (LOSSES) AND OTHER SUPPORT				
Contributions	\$ 855,547	\$ 1,885,129	\$ 2,740,676	\$ 2,461,454
Special events, net of expenses of \$315,233	125,235	-	125,235	(8,532)
Investment income	60,226	-	60,226	4,791
Net realized (loss) on marketable equity securities	(702)	-	(702)	(104)
Net unrealized gain on marketable equity securities	537	-	537	76
(Loss) on disposal of equipment	-	-	-	(3,511)
NET ASSETS RELEASED FROM RESTRICTIONS:				
Satisfaction of program restrictions	<u>1,762,000</u>	<u>(1,762,000)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>2,802,843</u>	<u>123,129</u>	<u>2,925,972</u>	<u>2,454,174</u>
EXPENSES:				
Capital projects	1,762,000	-	1,762,000	469,000
Cataract surgeries	700,000	-	700,000	475,000
General and administrative	160,045	-	160,045	116,554
Fundraising and promotion	<u>237,666</u>	<u>-</u>	<u>237,666</u>	<u>200,527</u>
Total expenses	<u>2,859,711</u>	<u>-</u>	<u>2,859,711</u>	<u>1,261,081</u>
CHANGE IN NET ASSETS	(56,868)	123,129	66,261	1,193,093
NET ASSETS, beginning of year	<u>219,647</u>	<u>1,525,676</u>	<u>1,745,323</u>	<u>552,230</u>
NET ASSETS, end of year	<u>\$ 162,779</u>	<u>\$ 1,648,805</u>	<u>\$ 1,811,584</u>	<u>\$ 1,745,323</u>

See Notes to Financial Statements

Sankara Eye Foundation, USA

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2007, WITH COMPARATIVE TOTALS FOR 2006

	PROGRAM SERVICES		SUPPORTING SERVICES			2006
	CAPITAL PROJECTS	CATARACT SURGERIES	GENERAL & ADMINIS- TRATIVE	FUND RAISING	TOTAL	
Grants	\$ 1,762,000	\$ 700,000	\$ -	\$ -	\$2,462,000	\$ 944,000
Salaries and related expenses	-	-	41,317	-	41,317	-
Advertising and promotions	-	-	-	143,750	143,750	166,018
Professional fees	-	-	15,043	1,521	16,564	20,756
Office supplies	-	-	9,714	1,620	11,334	3,131
Telecommunications	-	-	6,605	28	6,633	3,404
Postage and shipping	-	-	15,198	33,464	48,662	34,143
Building occupancy	-	-	24,666	-	24,666	1,970
Printing and publications	-	-	6,082	32,701	38,783	23,086
Production and design	-	-	23,284	-	23,284	12,137
Travel and meetings	-	-	711	24,136	24,847	17,446
Insurance	-	-	1,984	-	1,984	1,234
Depreciation	-	-	429	-	429	-
Other	-	-	15,012	446	15,458	33,756
	<u>\$ 1,762,000</u>	<u>\$ 700,000</u>	<u>\$ 160,045</u>	<u>\$ 237,666</u>	<u>\$2,859,711</u>	<u>\$1,261,081</u>

See Notes to Financial Statements

Sankara Eye Foundation, USA

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 66,261	\$ 1,193,093
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	429	-
Contribution of marketable equity securities	(51,585)	(10,318)
Net loss on marketable equity securities	165	28
Net loss on disposal of equipment	-	3,511
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(6,000)	-
Prepaid expenses	23,175	(23,175)
Deposit	(1,500)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>(19,330)</u>	<u>3,046</u>
Net cash provided by operating activities	<u>11,615</u>	<u>1,166,185</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(6,000)	-
Proceeds from sale of marketable equity securities	<u>56,404</u>	<u>10,214</u>
Net cash provided by investing activities	<u>50,404</u>	<u>10,214</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	62,019	1,176,399
CASH, beginning of year	<u>1,738,036</u>	<u>561,637</u>
CASH, end of year	<u>\$ 1,800,055</u>	<u>\$ 1,738,036</u>

See Notes to Financial Statements

Sankara Eye Foundation, USA

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2007 AND 2006

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 Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization 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 generally accepted accounting principles 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 gain and loss are reported in the statement of activities. Fair values are based on quoted market prices for those or similar investments.

Sankara Eye Foundation, USA

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2007 AND 2006

Note 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Policies (continued):

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.

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:

As a nonprofit corporation, the Foundation is exempt from both Federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code.

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, primarily the construction of eye care facilities.

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

Sankara Eye Foundation, USA

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2007 AND 2006

Note 2. 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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2006, from which the summarized information was derived.

Note 3. CONCENTRATION OF CREDIT RISK

Cash is insured to a maximum of \$100,000 by the Federal Deposit Insurance Corporation. The Foundation believes it is not exposed to significant credit risk with respect to these funds.

Note 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2007 and 2006 consist of contributions received for the purposes of building of eye care facilities.

Note 5. LEASE EXPENSE AND LEASE COMMITMENTS

The Foundation's existing lease expires May 1, 2008.

The Foundation entered into a new one year lease agreement that commences on May 1, 2008. Future minimum rental commitments under these leases are as follows:

2008	\$ 19,200
2009	<u>6,400</u>
	<u>\$ 25,600</u>

Office lease expense for the years ended December 31, 2007 and 2006 was \$24,666 and \$1,970, respectively.