

FINANCIAL STATEMENTS

HIMALAYAN CATARACT PROJECT, INC.

FOR THE YEAR ENDED DECEMBER 31, 2017

HIMALAYAN CATARACT PROJECT, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Himalayan Cataract Project, Inc.
Washington, D.C.

We have audited the accompanying financial statements of the Himalayan Cataract Project, Inc. (HCP), which comprise the statement of financial position as of December 31, 2017, 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 HCP as of December 31, 2017, 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.

HIMALAYAN CATARACT PROJECT, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 3,131,633
Investments	6,407,124
Grants and contributions receivable	585,227
Inventory	599,513
Deposits on equipment and consumables	674,147
Prepaid expenses	<u>32,452</u>
Total current assets	<u>11,430,096</u>

FIXED ASSETS

Property and equipment	38,130
Less: Accumulated depreciation and amortization	<u>(38,130)</u>
Net fixed assets	<u>-</u>

OTHER ASSETS

Security deposits	<u>2,250</u>
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TOTAL ASSETS **\$ 11,432,346**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 487,872
Deferred revenue	<u>201,573</u>
Total current liabilities	<u>689,445</u>

NET ASSETS

Unrestricted:	
Designated	5,463,678
Undesignated	<u>4,367,270</u>
Total Unrestricted	9,830,948
Temporarily restricted	<u>911,953</u>
Total net assets	<u>10,742,901</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 11,432,346**

HIMALAYAN CATARACT PROJECT, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 3,737,718	\$ 423,766	\$ 4,161,484
Foundation grants	435,100	1,878,000	2,313,100
Contributed services and materials	2,309,551	-	2,309,551
Government grants	672,229	-	672,229
Investment income	724,470	-	724,470
Technology and Procurement program revenue	226,927	-	226,927
Other revenue	995	-	995
Net assets released from donor restrictions	<u>1,719,902</u>	<u>(1,719,902)</u>	<u>-</u>
Total revenue and support	<u>9,826,892</u>	<u>581,864</u>	<u>10,408,756</u>
EXPENSES			
Program Services:			
Eye Care and Education	<u>7,520,290</u>	<u>-</u>	<u>7,520,290</u>
Supporting Services:			
Management and General	611,609	-	611,609
Fundraising	<u>358,703</u>	<u>-</u>	<u>358,703</u>
Total supporting services	<u>970,312</u>	<u>-</u>	<u>970,312</u>
Total expenses	<u>8,490,602</u>	<u>-</u>	<u>8,490,602</u>
Change in net assets	1,336,290	581,864	1,918,154
Net assets at beginning of year	<u>8,494,658</u>	<u>330,089</u>	<u>8,824,747</u>
NET ASSETS AT END OF YEAR	<u>\$ 9,830,948</u>	<u>\$ 911,953</u>	<u>\$ 10,742,901</u>

HIMALAYAN CATARACT PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services		Supporting Services		Total Expenses
	Eye Care and Education	Management and General	Fundraising	Total Supporting Services	
Payroll and related expenses	\$ 781,303	\$ 289,785	\$ 255,431	\$ 545,216	\$ 1,326,519
Subcontractors	39,883	3,446	-	3,446	43,329
Printing and reproduction	282	7,036	20,275	27,311	27,593
Computer and software	635	45,148	11,531	56,679	57,314
Website management	-	90,402	5,761	96,163	96,163
Telephone and internet	4,172	23,496	25	23,521	27,693
Memberships	8,148	9,864	-	9,864	18,012
Supplies	2,546	11,030	161	11,191	13,737
Shipping and postage	6,675	12,410	15,294	27,704	34,379
Facility	36,202	15,789	2,341	18,130	54,332
Legal and accounting fees	-	53,228	-	53,228	53,228
Depreciation	-	2,473	-	2,473	2,473
Bank charges and investment fees	9,114	25,721	30	25,751	34,865
Other	7,212	10,537	40,817	51,354	58,566
Travel	114,170	11,244	7,037	18,281	132,451
Program:					
Himalayas:					
Nepal:					
General Support	795,705	-	-	-	795,705
Hetauda Eye Hospital Project	97,215	-	-	-	97,215
Tilganga/Yangoon Eye Hospital Project	353,076	-	-	-	353,076
Burma Project	203,487	-	-	-	203,487
Bhutan	467,800	-	-	-	467,800
India	20,949	-	-	-	20,949
Sub-Saharan Africa:					
Ghana:					
General Support	574,164	-	-	-	574,164
Operation EyeSight	110,901	-	-	-	110,901
Kath Eye Center Project	129,021	-	-	-	129,021
Ethiopia	3,418,248	-	-	-	3,418,248
Other (Kenya, Rwanda, S. Sudan Nigeria, Indonesia)	116,814	-	-	-	116,814
Procurement Program	222,568	-	-	-	222,568
TOTAL	\$ 7,520,290	\$ 611,609	\$ 358,703	\$ 970,312	\$ 8,490,602

HIMALAYAN CATARACT PROJECT, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 1,918,154
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	2,473
Unrealized gain	(458,965)
Realized gain	(181,342)
Decrease (increase) in:	
Grants and contributions receivable	473,578
Inventory	(145,929)
Prepaid expenses	(18,977)
Deposits on equipment and consumables	(417,206)
Security deposits	(300)
Increase (decrease) in:	
Accounts payable and accrued liabilities	41,842
Deferred revenue	<u>(121,382)</u>
Net cash provided by operating activities	<u>1,091,946</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(2,687,463)
Proceeds from sale of investments	<u>786,446</u>
Net cash used by investing activities	<u>(1,901,017)</u>
Net decrease in cash and cash equivalents	(809,071)
Cash and cash equivalents at beginning of year	<u>3,940,704</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,131,633</u>

SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS

Donated Securities	<u>\$ 137,278</u>
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HIMALAYAN CATARACT PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Himalayan Cataract Project, Inc. (HCP) is a non-profit organization organized under the laws of the State of Vermont for the purpose of eradicating preventable and treatable blindness through high-quality ophthalmic care, education and the establishment of a world-class eye care infrastructure.

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) ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

HCP considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000.

At times during the year, HCP maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. HCP's policy is to liquidate all gifts of investments as soon as possible after the gift.

Grants and contributions receivable -

Grants and contributions receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$2,500 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 three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the year ended December 31, 2017 totaled \$2,473.

Income taxes -

HCP 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. HCP is not a private foundation.

HIMALAYAN CATARACT PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

Uncertain tax positions -

For the year ended December 31, 2017, HCP 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.

Inventory -

Inventory is measured at the lower of cost or net realizable value using the first-in, first-out method of inventory.

Deferred revenue -

Deferred revenue consists of grant funding received from the Federal government in advance of incurring the related expenses.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of HCP and include both internally designated and undesignated assets.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of HCP and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in perpetuity by HCP. There are not restrictions placed on the use of investment earnings from these endowment funds. For the year ending December 31, 2017, HCP did not have any permanently restricted net assets.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support 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 temporarily restricted net assets in the accompanying financial statements.

HCP receives funding under grants and contracts from the U.S. and foreign governments, 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 unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

HIMALAYAN CATARACT PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

Contributed services and materials -

Contributed services and materials consist of surgical supplies and ophthalmologists performing high quality ophthalmic care on a pro-bono basis. Contributed services and materials are recorded at their fair value as of the date of the gift. Donated physician time is based on mean salary rates for ophthalmologists and ophthalmology residents. In addition, volunteers have donated significant amounts of their time to HCP; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

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.

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.

Risks and uncertainties -

HCP 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 affect the amounts reported in the accompanying financial statements.

Fair value measurement -

HCP 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. HCP accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements -

In 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*. The ASU requires the inventory to be measured at the lower of cost or net realizable value. Net realizable value includes the estimated selling prices in ordinary course business less reasonably predictive costs of completion, disposal and transportation. The ASU becomes effective for years beginning after December 15, 2016. The ASU should be applied on a prospective basis in the year the ASU is first applied.

During the year ended December 31, 2017, HCP adopted the new guidance above and applied it prospectively.

HIMALAYAN CATARACT PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 20171. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

New accounting pronouncements (not yet adopted) -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of HCP's financial statements, it is not expected to alter HCP's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. HCP has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *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. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

HCP plans to adopt the new ASUs at the respective required implementation dates.

2. INVESTMENTS

The table below summarizes, the investments measured at fair value on a recurring basis, aggregated by the fair value hierarchy level with the measurement were made. HCP's investments consisted of the following as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2017</u>
Asset Class:				
Certificates of deposit	\$ -	\$ 2,044,467	\$ -	\$ 2,044,467
U.S. Government securities	508,043	-	-	508,043
Corporate bonds	-	66,757	-	66,757
Stocks	3,505,172	-	-	3,505,172
Mutual funds	<u>282,685</u>	<u>-</u>	<u>-</u>	<u>282,685</u>
TOTAL	<u>\$ 4,295,900</u>	<u>\$ 2,111,224</u>	<u>\$ -</u>	<u>\$ 6,407,124</u>

HIMALAYAN CATARACT PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. INVESTMENTS (Continued)

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 December 31, 2017.

- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization's are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.
- *Stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *U.S. Government securities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Corporate bonds* - 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.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2017. Transfers between levels are recorded at the end of the reporting period, if applicable.

Included in investment income are the following:

Interest and dividends	\$ 84,163
Unrealized gain	458,965
Realized gain	<u>181,342</u>
TOTAL INVESTMENT INCOME	<u>\$ 724,470</u>

3. BOARD DESIGNATED NET ASSETS

As of December 31, 2017, net assets have been designated by the Board of Directors for the following purposes:

<u>Fund</u>	<u>Purpose</u>	<u>2017</u>
Endowment	To support administrative expenses and unusual expenses.	\$ 3,717,117
Education and Training Fund	To support training and education activities with existing and future academic partners, for the purpose of improved academic and surgical training programs in furtherance of the HCP mission.	189,193
Contingency Fund	To ensure the uninterrupted continuation of programmatic and administrative operations of HCP in the event of an unanticipated disruption of the planned and anticipated funding sources.	<u>1,557,368</u>
BOARD DESIGNATED NET ASSETS		<u>\$ 5,463,678</u>

HIMALAYAN CATARACT PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**4. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2017:

Ethiopia	\$ 715,262
Bhutan	75
Nepal	46,975
Ghana	26,711
Indonesia	14,200
India	5,101
Outreach	7,994
Training and mentoring	95,435
Nepal Relief	<u>200</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 911,953</u>

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

Ethiopia	\$ 772,690
Bhutan	350,000
Nepal	233,717
Ghana	51,289
Indonesia	32,000
India	19,899
Outreach	75,373
Cataract surgeries	51,251
Training and mentoring	85,800
Nepal Relief	25,706
Eye camps	20,177
PAHS	<u>2,000</u>
	<u>\$ 1,719,902</u>

5. CONTRIBUTED SERVICES AND MATERIALS

During the year ended December 31, 2017, HCP was the beneficiary of many donated goods and a significant amount of services which allowed HCP to provide greater resources toward various programs.

As of December 31, 2017, donated services recognized in the Statement of Activities and Change in Net Assets totaled \$219,524.

As of December 31, 2017, donated materials recognized in the Statement of Activities and Change in Net Assets totaled \$2,090,027, of which \$53,370 are in-kind cost sharing from project partners.

HIMALAYAN CATARACT PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

6. LEASE COMMITMENTS

HCP leases office space in three different areas, including Norwich and Waterbury, VT, as well as Silver Spring, MD.

The lease in Norwich, VT was initiated in September 2017 and continues through August, 31, 2020. Base rent is \$1,200 per month, with a rent escalation determined by the Consumer Price Index.

The office space being leased in Waterbury, VT began in August 2015 and continues through May 31, 2018. Currently, no new agreement has been signed and the lease will revert to month-to-month at the conclusion of the original lease. Base rent is \$725 per month, with no escalation clause.

There are two leases in Silver Spring, MD, including an office lease and a warehouse where inventory is stored. The office lease was initiated in February 2014 and concluded as of January 31, 2018. The lease is currently on a month-to-month basis. Base rent is \$1,327 per month.

The warehouse/storage lease began in May 2012 and is currently on a month-to-month basis. Base rent varies due to the amount of inventory being housed.

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

<u>Year Ending December 31,</u>	
2018	\$ 19,352
2019	14,400
2020	<u>9,600</u>
	<u>\$ 43,352</u>

Rent expense for the year ended December 31, 2017 was \$46,378.

7. RETIREMENT PLAN

HCP provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with six months of eligible experience and that are at least 21 years old. HCP provides a 3% contribution based on the employee's compensation. Contributions to the plan during the year ended December 31, 2017 totaled \$11,805.

8. VENDOR DEPOSITS

HCP has made deposits with vendors for the purchase of equipment and consumables for the procurement program. Once final payment is made by HCP and the goods are shipped, the expenses are allocated to specific programs. As of year end, December 31, 2017, vendor deposits totaled \$674,147.

9. SUBSEQUENT EVENTS

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