

**FINANCIAL STATEMENTS**

**HIMALAYAN CATARACT PROJECT, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2019  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2018**

**HIMALAYAN CATARACT PROJECT, INC.**

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## CPAs & ADVISORS

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Himalayan Cataract Project, Inc.  
Waterbury, Vermont

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, 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 HCP as of December 31, 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 HCP's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 5, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Freedman*

May 18, 2020

## HIMALAYAN CATARACT PROJECT, INC.

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2019  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

**ASSETS**

	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,236,576	\$ 2,262,175
Investments	5,977,163	6,399,975
Grants and contributions receivable	1,934,947	1,665,523
Interest receivable	12,037	15,384
Inventory	597,610	1,045,334
Deposits on equipment and consumables	789,133	419,532
Prepaid expenses	<u>50,967</u>	<u>50,230</u>
Total current assets	<u>11,598,433</u>	<u>11,858,153</u>
<b>FIXED ASSETS</b>		
Property and equipment	11,951	36,682
Less: Accumulated depreciation	<u>(9,734)</u>	<u>(33,815)</u>
Net fixed assets	<u>2,217</u>	<u>2,867</u>
<b>OTHER ASSETS</b>		
Security deposits	1,250	1,250
Grants and contributions receivable, net of current portion and present value discount	<u>212,683</u>	<u>182,618</u>
Total other assets	<u>213,933</u>	<u>183,868</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 11,814,583</u></b>	<b><u>\$ 12,044,888</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 830,230	\$ 637,743
Deferred revenue	<u>457,204</u>	<u>-</u>
Total liabilities	<u>1,287,434</u>	<u>637,743</u>
<b>NET ASSETS</b>		
Without donor restrictions	8,307,766	9,507,904
With donor restrictions	<u>2,219,383</u>	<u>1,899,241</u>
Total net assets	<u>10,527,149</u>	<u>11,407,145</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 11,814,583</u></b>	<b><u>\$ 12,044,888</u></b>

## HIMALAYAN CATARACT PROJECT, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 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>
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 4,002,321	\$ 1,489,483	\$ 5,491,804	\$ 3,986,894
Foundation grants	615,827	1,609,804	2,225,631	3,812,118
Contributed services and materials	1,528,929	-	1,528,929	2,391,152
Government grants	252,190	-	252,190	675,829
Investment income (loss), net	907,280	-	907,280	(52,777)
Technology and procurement program revenue	848,636	-	848,636	86,427
Net assets released from donor restrictions	<u>2,779,145</u>	<u>(2,779,145)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>10,934,328</u>	<u>320,142</u>	<u>11,254,470</u>	<u>10,899,643</u>
<b>EXPENSES</b>				
Program Services:				
Eye Care and Education	<u>10,553,094</u>	<u>-</u>	<u>10,553,094</u>	<u>8,945,998</u>
Supporting Services:				
Management and General	1,092,623	-	1,092,623	757,384
Fundraising	<u>488,749</u>	<u>-</u>	<u>488,749</u>	<u>532,017</u>
Total supporting services	<u>1,581,372</u>	<u>-</u>	<u>1,581,372</u>	<u>1,289,401</u>
Total expenses	<u>12,134,466</u>	<u>-</u>	<u>12,134,466</u>	<u>10,235,399</u>
Change in net assets	(1,200,138)	320,142	(879,996)	664,244
Net assets at beginning of year	<u>9,507,904</u>	<u>1,899,241</u>	<u>11,407,145</u>	<u>10,742,901</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 8,307,766</u></b>	<b><u>\$ 2,219,383</u></b>	<b><u>\$ 10,527,149</u></b>	<b><u>\$ 11,407,145</u></b>

**HIMALAYAN CATARACT PROJECT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018		
Program Services	Supporting Services					
Eye Care and Education	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses	
Payroll and related expenses	\$ 1,004,121	\$ 629,668	\$ 376,116	\$ 1,005,784	\$ 2,009,905	\$ 1,675,500
Subcontractors	81,736	2,775	-	2,775	84,511	40,667
Printing and reproduction	3,317	2,372	31,234	33,606	36,923	34,566
Computer and software	1,358	93,204	7,959	101,163	102,521	44,478
Communications, digital marketing and website	-	62,794	87	62,881	62,881	55,785
Telephone and internet	15,193	9,420	5,773	15,193	30,386	28,095
Memberships	2,020	13,569	397	13,966	15,986	15,769
Supplies	4,731	10,334	163	10,497	15,228	11,765
Shipping and postage	6,288	3,885	12,860	16,745	23,033	23,112
Facilities	69,035	47,095	6,486	53,581	122,616	67,388
Legal and accounting fees	1,208	115,415	-	115,415	116,623	162,810
Depreciation	-	650	-	650	650	379
Consulting - Strategic development	-	20,868	-	20,868	20,868	11,611
Bank charges	9,435	1,058	-	1,058	10,493	11,816
Other	114,637	13,633	44,027	57,660	172,297	62,102
Travel	164,992	65,883	3,647	69,530	234,522	213,827
Subrecipients:						
Nepal	1,663,498	-	-	-	1,663,498	2,132,324
Bhutan	329,475	-	-	-	329,475	796,943
Ghana	2,271,853	-	-	-	2,271,853	1,627,221
Ethiopia	3,249,595	-	-	-	3,249,595	2,927,009
South Sudan	227,435	-	-	-	227,435	-
Eritrea	485,310	-	-	-	485,310	-
Other (Kenya, Rwanda, Nigeria, Tanzania, Indonesia and India)	103,871	-	-	-	103,871	188,186
Procurement program	743,986	-	-	-	743,986	104,046
<b>TOTAL</b>	<b>\$ 10,553,094</b>	<b>\$ 1,092,623</b>	<b>\$ 488,749</b>	<b>\$ 1,581,372</b>	<b>\$ 12,134,466</b>	<b>\$ 10,235,399</b>

See accompanying notes to financial statements.

## HIMALAYAN CATARACT PROJECT, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (879,996)	\$ 664,244
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	650	379
Unrealized (gain) loss	(743,653)	1,366,763
Realized gain	(14,295)	(1,245,304)
Discount on long-term receivables	(5,065)	17,382
Receipt of contributed securities	(129,201)	(110,903)
Proceeds from the sale of contributed securities	129,201	110,903
(Increase) decrease in:		
Grants and contributions receivable	(294,424)	(1,295,648)
Interest receivable	3,347	(946)
Inventory	447,724	(445,821)
Deposits on equipment and consumables	(369,601)	254,615
Prepaid expenses	(737)	(17,778)
Security deposits	-	1,000
Increase (decrease) in:		
Accounts payable and accrued liabilities	192,487	149,870
Deferred revenue	457,204	(201,573)
Net cash used by operating activities	<u>(1,206,359)</u>	<u>(752,817)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	-	(3,246)
Purchase of investments	(1,341,434)	(5,383,490)
Proceeds from sale of investments	<u>2,522,194</u>	<u>5,269,180</u>
Net cash provided (used) by investing activities	<u>1,180,760</u>	<u>(117,556)</u>
Net decrease in cash and cash equivalents	(25,599)	(870,373)
Cash and cash equivalents at beginning of year	<u>2,262,175</u>	<u>3,132,548</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 2,236,576</u></b>	<b><u>\$ 2,262,175</u></b>



# HIMALAYAN CATARACT PROJECT, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### 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) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor 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.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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 HCP's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

#### New accounting pronouncements adopted -

During 2019, HCP adopted 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. Analysis of the various provisions of this standard resulted in no significant changes in the way HCP recognized revenue; however, the presentation and disclosures of revenue have been enhanced. HCP has elected to opt out of all (or certain) disclosures not required for non public entities and also elected a modified retrospective approach for implementation.

Also during 2019, HCP adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made.

# HIMALAYAN CATARACT PROJECT, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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

#### New accounting pronouncements adopted (continued) -

Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. HCP adopted the ASU using a modified prospective basis.

#### 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. Interest, dividends and realized and unrealized gains and losses are included in investment income (loss) net of investment expenses provided by external investment advisors 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 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 discounts is included in Contributions and Foundation grants 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.

#### 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, 2019 totaled \$650.

#### 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.

#### Uncertain tax positions -

For the year ended December 31, 2019, 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.

HIMALAYAN CATARACT PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

Inventory -

Inventory consists of medical supplies and is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory under FASB ASU 2015-11 *Simplifying the Measurement of Inventory*.

Deferred revenue -

HCP receives funding under contracts 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 awards are recorded as exchange transactions within the "without donor restrictions" to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. Contract awards received in advance of incurring the related expenses for direct and indirect program costs are recorded as deferred revenue.

Contributions and grants -

The majority of HCP's revenue is received through contributions as well as contracts and grants with the U.S. and foreign governments, international organizations and other entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. HCP performs an analysis of the individual contribution, grant and contract to determine if the revenue streams follow the contributions rules or if considered an exchange transaction depending on whether the transaction is reciprocal or nonreciprocal.

For contributions and grants and contracts qualifying under the contributions rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the condition on which they depend are substantially met. Contributions and grants and contracts qualifying as contributions that are unconditional that have 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.

Grant and contract agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and contract awards from the United States Government are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, HCP recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances.

Grants and contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and record revenue when the performance obligations are met. The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred in compliance with the criteria stipulated in the grant or contract agreements.

**HIMALAYAN CATARACT PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

Contributions and grants (continued) -

Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant and contract agreements. Funding received in advance of incurring the related expenses is recorded as deferred revenue.

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. Expenses directly attributed to a specific functional area of HCP 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 -

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.

# HIMALAYAN CATARACT PROJECT, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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

New accounting pronouncements (not yet adopted) -

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. The ASU is effective for non public entities beginning after December 15, 2020. Early adoption is 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.

HCP plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

### 2. INVESTMENTS

The table below summarizes, the investments measured at fair value on a recurring basis, aggregated by the fair value hierarchy level in which the measurements were made. HCP's investments consisted of the following as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Class:</b>				
Mutual funds	\$ 1,621,931	\$ -	\$ -	\$ 1,621,931
Stocks	2,128,514	-	-	2,128,514
U.S. Government securities	220,777	-	-	220,777
Corporate bonds	-	366,224	-	366,224
Certificates of deposit	-	<u>1,639,717</u>	-	<u>1,639,717</u>
<b>TOTAL</b>	<b><u>\$ 3,971,222</u></b>	<b><u>\$ 2,005,941</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,977,163</u></b>

In accordance with FASB ASC 820, *Fair Value Measurement*, HCP 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 HCP 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.

HIMALAYAN CATARACT PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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, 2019.

- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by HCP'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 HCP's 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, 2019. Transfers between levels are recorded at the end of the reporting period, if applicable.

Included in investment income are the following for the year ended December 31, 2019:

Interest and dividends	\$ 179,773
Unrealized gain	743,653
Realized gain	14,295
Management fees	<u>(30,441)</u>
<b>TOTAL INVESTMENT INCOME, NET</b>	<b>\$ <u>907,280</u></b>

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2019, donors to HCP have made written promises to give totaling \$2,159,947. Grants and contributions due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 2.75% (U.S. Treasury Yield Curve Rate). Grants and contributions are due as follows at December 31, 2019:

Less than one year	\$ 1,934,947
One to five years	<u>225,000</u>
Total	2,159,947
Less: Allowance to discount balance to present value	<u>(12,317)</u>
<b>GRANTS AND CONTRIBUTIONS RECEIVABLE</b>	<b>\$ <u>2,147,630</u></b>

**HIMALAYAN CATARACT PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**4. BOARD DESIGNATED NET ASSETS**

As of December 31, 2019, net assets without donor restrictions have been designated by the Board of Directors for the following purposes:

<u>Fund</u>	<u>Purpose</u>	<u>2019</u>
Endowment	To support administrative expenses and unusual expenses.	\$ 4,296,133
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>
<b>BOARD DESIGNATED NET ASSETS</b>		<b><u>\$ 5,853,501</u></b>

**5. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at December 31, 2019:

Training and mentoring	\$ 93,159
Nepal Relief	200
Outreach	34,045
Ghana	31,060
India	258,750
Ethiopia	710,433
Nepal	61,227
Indonesia	10,600
Bhutan	355,289
Eritrea	80,730
South Sudan	60,274
Pediatric programs	53,026
Thailand	26,100
Data standards/M&E	264,807
Subject to the passage of time	<u>179,683</u>
<b>TOTAL NET ASSETS WITH RESTRICTIONS</b>	<b><u>\$ 2,219,383</u></b>

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:

Training and mentoring	\$ 36,274
Outreach	51,539
Ghana	603,484
India	5,168
Ethiopia	787,392
Nepal	526,233
Indonesia	2,600
Bhutan	217,968
Eritrea	167,352
South Sudan	170,466
Pediatric programs	71,801
Data standards/M&E	49,081
Passage of time	<u>89,787</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 2,779,145</u></b>

# HIMALAYAN CATARACT PROJECT, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### 6. LIQUIDITY

Financial assets available for use within one year of the Statement of Financial Position comprise the following at December 31, 2019:

Cash and cash equivalents	\$ 2,236,576
Investments	5,977,163
Grants and contributions receivable	2,147,630
Interest receivable	12,037
Less: Inventory receivable	(286,074)
Less: Receivables in excess of one year, net of discount	(212,683)
Less: Donor restricted funds	(2,039,700)
Less: Board designated funds	<u>(4,296,133)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS  
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 3,538,816**

All cash equivalents and securities are liquid and available for operations within one to two day's notice. Receivables from donors and grantors are expected to be received within one year, except for commitments with payment schedules that extend beyond one year. Receivables representing the commitment of equipment and supplies are not considered liquid assets. Funds received from donors which have restrictions as to their use, as well as Federal grants which are contingent upon meeting certain time or performance conditions, are not considered liquid assets. In addition, the Board of Directors has designated some funds for specific uses. The Board designated contingency fund is a fund established by the governing Board that may be drawn upon 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.

### 7. CONTRIBUTED SERVICES AND MATERIALS

During the year ended December 31, 2019, HCP was the beneficiary of many donated goods and a significant amount of services which allowed HCP to provide greater resources toward various programs.

For the year ended December 31, 2019, donated services recognized in the Statement of Activities and Change in Net Assets totaled \$229,978. For the year ended December 31, 2019, donated materials recognized in the Statement of Activities and Change in Net Assets totaled \$1,298,951, none of which were in-kind cost sharing from project partners. These amounts are included in Program Services on the Statement of Functional Expenses.

### 8. LEASE COMMITMENTS

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

The lease in Norwich, Vermont 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. During 2019, HCP added additional space to their lease, adding an additional \$410 per month.

The office space being leased in Waterbury, Vermont began in August 2015 and was on a month to month basis during the year and was terminated February 28, 2020. Base rent was \$825 per month, with no escalation clause.



HIMALAYAN CATARACT PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS  
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8. LEASE COMMITMENTS (Continued)

Subsequent to year-end, HCP entered into a new lease agreement for office space in Waterbury, Vermont. Under the terms of the agreement, base rent is \$2,000 per month with periodic increases during the lease term. The initial term is for five years, commencing on March 1, 2020 and ending on February 28, 2025.

There are two leases in Silver Spring, Maryland, including an office lease and a warehouse where inventory is stored. The office lease was initiated in February 2014, and, during 2019, was extended through July 2020. Base rent is \$2,197 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.

Subsequent to year-end, HCP entered into a new lease agreement for office space in Addis Ababa, Ethiopia. The initial term is for four years, commencing on March 13, 2020 and ending on March 14, 2024. The annual lease amount (inclusive of taxes) equals 1,179,360 Ethiopian Birr (equivalent to \$36,367). Payments will be made on a rolling six month basis with no escalation clause.

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

**Year Ending December 31,**

2020	\$ 77,050
2021	62,367
2022	62,767
2023	65,767
2024	37,576
Thereafter	<u>5,000</u>
	<b><u>\$ 310,527</u></b>

Rent expense for the year ended December 31, 2019 was \$91,987 and is included in Facilities on the accompanying Statement of Functional Expenses.

9. 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, 2019 totaled \$43,595.

10. 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, 2019, vendor deposits totaled \$789,133.

**HIMALAYAN CATARACT PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**11. SUBSEQUENT EVENTS**

In preparing these financial statements, HCP has evaluated events and transactions for potential recognition or disclosure through May 18, 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 HCP's operations. The overall potential impact is unknown at this time.

On April 17, 2020, HCP entered into a two-year promissory note agreement in the amount of \$337,092 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 beginning November 2020, 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.