

**SURGICAL EYE EXPEDITIONS
INTERNATIONAL, INC.**

FINANCIAL STATEMENTS

**December 31, 2005
(with Independent Auditors' Report Thereon)**



Independent Auditors' Report

To the Board of Directors
Surgical Eye Expeditions International, Inc.
Santa Barbara, California

We have audited the accompanying statement of financial position of the Surgical Eye Expeditions International, Inc. (the Organization), a non-profit organization, as of December 31, 2005, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit that year. Information for the year ended December 31, 2004 is presented for comparative purposes only and was extracted from financial statements for that year, which we audited and issued an unqualified auditors' report dated April 14, 2005.

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 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 our audit provides 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 the Surgical Eye Expeditions International, Inc. as of December 31, 2005, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

May 14, 2006
Los Olivos, California

Stoltey & Associates

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2005
(with comparative totals for 2004)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2005 Total</u>	<u>2004 Total</u>
Current Assets:					
Cash and cash equivalents	\$ 80,276	\$ 128,477	\$ -	\$ 208,753	\$ 230,413
Investments	2,456,619	-	54,292	2,510,911	2,485,905
Pledges receivable	-	8,167	-	8,167	29,025
Prepaid expenses	12,836	-	-	12,836	9,110
Medical supplies inventory	2,256,392	-	-	2,256,392	2,510,751
Total Current Assets	<u>4,806,123</u>	<u>136,644</u>	<u>54,292</u>	<u>4,997,059</u>	<u>5,265,204</u>
Property and Equipment:					
Office furniture and equipment	44,349	-	-	44,349	53,349
Computer equipment	145,165	-	-	145,165	136,974
Surgical equipment	880,216	-	-	880,216	833,628
Total Equipment	<u>1,069,730</u>	<u>-</u>	<u>-</u>	<u>1,069,730</u>	<u>1,023,951</u>
Less accumulated depreciation	(886,517)	-	-	(886,517)	(839,332)
Net Property and Equipment	<u>183,213</u>	<u>-</u>	<u>-</u>	<u>183,213</u>	<u>184,619</u>
Total Assets	<u>\$ 4,989,336</u>	<u>\$ 136,644</u>	<u>\$ 54,292</u>	<u>\$ 5,180,272</u>	<u>\$ 5,449,823</u>
Accounts payable and accrued expenses	\$ 63,512	\$ -	\$ -	\$ 63,512	\$ 42,146
Net Assets:					
Unrestricted	4,925,824	-	-	4,925,824	5,209,067
Temporarily restricted (Note 3)	-	136,644	-	136,644	144,318
Permanently restricted	-	-	54,292	54,292	54,292
Total Net Assets	<u>4,925,824</u>	<u>136,644</u>	<u>54,292</u>	<u>5,116,760</u>	<u>5,407,677</u>
Total Liabilities and Net Assets	<u>\$ 4,989,336</u>	<u>\$ 136,644</u>	<u>\$ 54,292</u>	<u>\$ 5,180,272</u>	<u>\$ 5,449,823</u>

See accompanying notes

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005
(with comparative totals for 2004)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2005 Total</u>	<u>2004 Total</u>
Public Support:					
Donated medical services	\$ 12,735,861	\$ -	\$ -	\$ 12,735,861	\$ 21,902,767
Donated medical supplies and equipment	2,888,869	-	-	2,888,869	1,709,970
Contributions	792,743	80,051	-	872,794	993,451
Memberships	40,099	-	-	40,099	27,380
Total Public Support	<u>16,457,572</u>	<u>80,051</u>	<u>-</u>	<u>16,537,623</u>	<u>24,633,587</u>
Special Events:					
Gross revenue	122,644	-	-	122,644	242,778
Costs of direct benefit to participant	(81,855)	-	-	(81,855)	(141,908)
Net Special Events	<u>40,789</u>	<u>-</u>	<u>-</u>	<u>40,789</u>	<u>100,870</u>
Other Revenue (Losses):					
Interest and dividends	29,752	-	-	29,752	26,852
Unrealized gain (loss) on investments	117,732	-	-	117,732	233,201
Gain (Loss) on sale of investments	50,065	-	-	50,065	39,682
Total Other Revenue (Losses)	<u>197,549</u>	<u>-</u>	<u>-</u>	<u>197,549</u>	<u>299,735</u>
Total Public Support, Special Event and Revenue	<u>16,695,910</u>	<u>80,051</u>	<u>-</u>	<u>16,775,961</u>	<u>25,034,173</u>
Net Assets Released From Restriction	<u>87,725</u>	<u>(87,725)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:					
International clinics	16,414,114	-	-	16,414,114	24,492,369
Juarez clinic	-	-	-	-	535,071
Santa Barbara Vision Care	233,896	-	-	233,896	125,752
Total Program Services	<u>16,648,010</u>	<u>-</u>	<u>-</u>	<u>16,648,010</u>	<u>25,153,192</u>
Management and General	208,398	-	-	208,398	156,975
Fundraising	155,470	-	-	155,470	326,940
Total Expenses	<u>17,011,878</u>	<u>-</u>	<u>-</u>	<u>17,011,878</u>	<u>25,637,107</u>
Loss Related to Legal Settlement	(55,000)	-	-	(55,000)	-
Change in Net Assets	<u>(283,243)</u>	<u>(7,674)</u>	<u>-</u>	<u>(290,917)</u>	<u>(602,934)</u>
Net Assets at Beginning of Year	<u>5,209,067</u>	<u>144,318</u>	<u>54,292</u>	<u>5,407,677</u>	<u>6,010,611</u>
Net Assets at End of Year	<u>\$ 4,925,824</u>	<u>\$ 136,644</u>	<u>\$ 54,292</u>	<u>\$ 5,116,760</u>	<u>\$ 5,407,677</u>

See accompanying notes

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSE
December 31, 2006
(with comparative totals for 2004)

	Program Services				Support Services			Totals	
	International Clinics	Juarez Clinic	SB Vision Care	Total Program	Management and General	Fund-Raising	2005	2004	
Donated medical services	\$ 12,647,807	\$ -	\$ 88,053	\$ 12,735,860	\$ -	\$ -	\$ 12,735,860	\$ 21,902,767	
Donated Medical Supplies	3,111,043	-	7,636	3,118,679	-	-	3,118,679	2,637,884	
Conferences	47,705	-	-	47,705	246	-	47,951	23,561	
Depreciation	38,531	-	10,102	48,633	9,406	7,207	65,246	67,751	
Dues and subscriptions	4,473	-	-	4,473	640	1,927	7,040	2,654	
Expeditions	66,441	-	6,285	72,726	-	-	72,726	77,093	
Insurance	36,379	-	13,878	50,257	13,396	6,805	70,458	62,942	
Maintenance	4,700	-	1,232	5,932	1,147	879	7,958	7,831	
Miscellaneous	13,369	-	1,723	15,092	9,818	11,933	36,843	60,023	
Outside services	24,180	-	6,071	30,251	18,475	18,995	87,721	26,311	
Payroll taxes	24,239	-	6,355	30,594	5,917	4,534	41,045	44,344	
Professional services	-	-	-	-	61,925	-	61,925	45,386	
Promotion	16,341	-	4,284	20,625	3,989	11,645	36,159	67,465	
Rent	38,462	-	10,084	48,546	9,389	7,194	65,129	65,008	
Salaries	272,338	-	71,400	343,738	66,482	50,941	461,161	464,949	
Special events	-	-	-	-	-	24,350	24,350	10,000	
Supplies - office	16,634	-	4,361	20,995	5,235	3,112	29,342	21,381	
Supplies - medical	32,954	-	-	32,954	-	-	32,954	19,411	
Utilities and telephone	18,518	-	2,432	20,950	2,333	6,048	29,331	30,346	
Totals - 2005	\$ 16,414,114	\$ -	\$ 233,896	\$ 16,648,010	\$ 208,398	\$ 155,470	\$ 17,011,878		
Totals - 2004	\$ 24,492,369	\$ 535,071	\$ 125,752	\$ 25,153,192	\$ 156,975	\$ 326,940		\$ 25,637,107	

See accompanying notes

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2005
(with comparative totals for 2004)

	2005	2004
Cash Flows from Operating Activities:		
Change in net assets	\$ (290,917)	\$ (602,934)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	65,246	67,751
Loss (gain) on sale of investments	(50,065)	(39,682)
Unrealized loss (gain) on investments	(117,732)	(233,201)
Donations of equipment	(24,550)	(72,550)
(Increase) decrease in:		
Pledges receivable	20,858	(10,660)
Inventory	254,359	1,000,464
Prepaid expenses	(3,726)	909
Increase (decrease) in:		
Accounts payable and accrued expenses	21,366	(11,836)
Net Cash Provided by (Used by) Operating Activities	(125,161)	98,261
Cash Flows From Investing Activities:		
Purchase of equipment	(39,290)	(23,183)
Purchase of investments	(334,919)	(226,522)
Proceeds from sale of investments	477,710	177,441
Net Cash Provided (Used) by Investing Activities	103,501	(72,264)
Net (Decrease) Increase in Cash	(21,660)	25,997
Cash at Beginning of Year	230,413	204,416
Cash at Ending of Year	\$ 208,753	\$ 230,413

See accompanying notes

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 1 Nature of the Corporation

Surgical Eye Expeditions International, Inc. (The Corporation) is a humanitarian nonprofit Corporation organized under the laws of the State of California to provide:

Eye Surgery

Volunteer eye surgeons provide free ophthalmic surgery to the blind and visually impaired of all ages. Primary focus is placed on life enhancing surgical procedures such as cataract, corneal transplant, and strabismus surgery

The Corporation disseminates information to the public concerning eye-care, sight and agencies available to assist with vision related problems.

Public Education

The Corporation disseminates information to the public concerning eye care, sight and agencies available to assist with vision related problems.

Skills Enhancement

The Corporation presents skill enhancement programs and educational seminars for ophthalmic surgeons, surgical nurses and technicians.

Applied Research and Development

As part of the Corporation's program, it conducts applied research to generate, test, and evaluate technology and procedures for program improvement, and to disseminate information to aid in epidemiological studies and vision related statistics.

Ancillary Service

The Corporation expands the ophthalmic data bank of human and in-kind resources to support and amplify prevention of blindness projects through prophylactic screening and surgery programs.

The Corporation recruits, coordinates and deploys volunteer eye surgical teams and the necessary surgical supplies to provide free sight restoring surgery to the disadvantaged blind in the United States and throughout the world.

In addition to the direct service of sight restoring surgery, the Corporation also assists in updating and enhancing the surgical skills of ophthalmologists in developing countries.

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Consolidated Financial Statements

The California resident members of the Board of Directors of the Corporation are all members of the Board of Surgical Eye Expeditions International Holding Company, Inc. and Surgical Eye Expeditions International Endowment Trust. Surgical Eye Expeditions International holding Company, Inc. is a tax-exempt corporation and the parent company for the Corporation and Surgical Eye Expeditions International Endowment Trust. As the Corporation and the Endowment Trust are controlled by the same board and are financially interrelated the financial statements of the two entities have been consolidated in the accompanying financial statements. All inter-company transactions have been eliminated.

Note 2 Summary of Significant Accounting Policies

Public Support

Volunteerism and contributed services are critical to the Corporation. Donated professional services and supplies pass through the Corporation to its charitable beneficiaries. Due to the number of countries in which clinics are held, the conditions where the surgeries are performed, the fact that surgeons on a team may originate from any of a number of developed countries, the complex array of donated surgical supplies and the many foreign currency translations required, it is difficult to determine a precise valuation for donated services. For these reasons, estimates of values are used. Surgical Eye Expeditions International, Inc. has selected the United States Medicare hospital outpatient reimbursement rates for surgeries and facilities usage for each procedure performed anywhere in the world. The Corporation reports gifts of donated services as unrestricted support and expense.

The Corporation reports gifts of cash and other assets as 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. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

The Corporation reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Equipment

Equipment is stated at cost, or fair market value at the date of donation, with depreciation provided over the estimated useful lives of the respective assets on the straight-line basis. The

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
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Corporation's capitalization rate is \$500. The estimated useful lives of the assets are as follows:

Office furniture and equipment	5 - 7 years
Computer equipment	5 - 7 years
Surgical equipment	5 years

Income Taxes

Surgical Eye Expeditions International, Inc. has been determined to be a nonprofit Corporation exempt from Federal income taxes under IRC501(c)(3) and State income taxes under Revenue and Taxation Code Section 23701(d).

Significant Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the value of donated medical services and supplies, estimated useful lives of fixed assets and collectibility of pledges receivable.

Inventories

Inventory consists of purchased and donated medical supplies and instruments. Purchased inventory items are recorded at the lesser of cost or market value, and donated inventory items are recorded at their estimated value at the date of the donation or current market value.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 3 Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2005</u>	<u>2004</u>
Clinic	\$ 16,000	\$ 16,000
Juarez project	11,108	20,103
General operating support	18,167	29,025
Other	91,369	79,190
	<u>\$ 136,644</u>	<u>\$ 144,318</u>

Permanently restricted net assets of \$54,292 consist of endowment fund investments to be held indefinitely. Unless specifically restricted by the donor, income from permanently restricted net assets is expendable to support program services and thus is recorded as increases to unrestricted net assets.

Note 4 Donated Medical Services

2005 Donated Services

The value of \$12,735,861 includes 7,907 surgeries performed on expeditions or with consumable surgical supplies or with capital equipment provided by SEE International.

2004 Donated Services

The value of \$21,902,767 includes 11,734 surgeries performed on expeditions or with consumable surgical supplies or with capital equipment provided by SEE International.

The numbers of surgeries are based upon information provided directly by the surgeon performing the surgeries. The surgeries are valued at U.S. Medicare reimbursement rate for surgeons and facilities usage.

Note 5 Pledges and Bequests Receivable

Unconditional promises are included in the financial statements as pledges and bequests receivable and revenue of the appropriate net asset category. The Corporation expects to

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

collect all pledges and bequests receivable within one year.

Note 6 Lease Obligations

The Corporation occupies office facilities under a month-to-month lease at a monthly rate of approximately \$3,600.

The Corporation also leases warehouse space under an annual lease agreement expiring February 2006. Payments are due monthly in the amount of approximately \$1,600.

Note 7 Related Organization

The Board of Directors of Surgical Eye Expeditions International, Inc. has designated a portion of the unrestricted net assets by the formation of the SEE International Endowment Trust (the Trust), dated December 4, 1996, for the specific purpose of long-term stability and insuring the continuance of the mission of the Corporation. The assets, consisting of cash and investments valued at \$1,449,156 were transferred to the Trust in 1997. Additional transfers to the Trust may be made from the Corporation, at the discretion of the Board of Directors, from time to time, depending upon the financial condition of the Corporation.

In addition at the discretion of the Board, funds may be distributed from the Trust to the Corporation in amounts not to exceed, on an annual basis, six percent of the Trust's total average value for the preceding calendar year.

The sole purpose of the Trust is to provide financial support for the Corporation. All activity of the Trust has been consolidated in the accompanying financial statements.

Note 8 Concentration of Credit Risk

At times the Corporation has deposits in excess of federal insurance limits in the accounts of financial institutions. The Corporation minimizes the risk by monitoring cash balances and by maintaining cash balances with a secure, major bank.

Note 9 Reclassifications

Certain reclassifications have been made to prior year balances to conform to current year presentation.

Note 10 Investments

Investments are carried at market value with realized and unrealized gains and losses reflected in the statement of activities. Investments consist exclusively of mutual funds at December 31,

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

2005. Cash and cash equivalents are for investment purposes only and are considered investments for the balance sheet and statement of cash flow presentation.

Investment management fees have been reported as a reduction of investment income. Total investment fees for the year ended December 31, 2005 approximated \$12,000.

Note 11 Supplemental Cash Flow Disclosures

During the year ended December 31, 2005 equipment valued at \$24,550 were donated to the Corporation.

Medical services donated to the Corporation were \$12,735,861 for the year ended December 31, 2005.

Medical supplies donated to the Corporation were \$2,888,869 for the year ended December 31, 2005.

There were no interest or taxes paid in 2005.

Note 12 Comparative Information

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.