



**SURGICAL EYE EXPEDITIONS
INTERNATIONAL, INC.**

FINANCIAL STATEMENTS

**December 31, 2008
(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, 2008, 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, 2008 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 June 24, 2008.

We conducted our audits in accordance with generally accepted auditing standards of 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 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 the Surgical Eye Expeditions International, Inc. as of December 31, 2008, 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.

Stoltey & Associates

March 21, 2009
Los Olivos, California

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2008
(with comparative totals for 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008 Total</u>	<u>2007 Total</u>
Current Assets:					
Cash and cash equivalents	\$ 869,928	\$ 43,016	\$ -	\$ 912,944	\$ 390,540
Investments	711,589	-	56,292	767,881	1,663,966
Pledges receivable	-	6,667	-	6,667	7,667
Prepaid expenses	20,996	-	-	20,996	19,169
Medical supplies inventory	2,711,735	-	-	2,711,735	2,445,482
Total Current Assets	<u>4,314,248</u>	<u>49,683</u>	<u>56,292</u>	<u>4,420,223</u>	<u>4,526,824</u>
Property and Equipment:					
Office furniture and equipment	24,349	-	-	24,349	30,649
Computer equipment	106,521	-	-	106,521	106,521
Surgical equipment	936,093	-	-	936,093	915,694
Total Equipment	<u>1,066,963</u>	<u>-</u>	<u>-</u>	<u>1,066,963</u>	<u>1,052,864</u>
Less accumulated depreciation	(947,696)	-	-	(947,696)	(917,097)
Net Property and Equipment	<u>119,267</u>	<u>-</u>	<u>-</u>	<u>119,267</u>	<u>135,767</u>
Total Assets	<u>\$ 4,433,515</u>	<u>\$ 49,683</u>	<u>\$ 56,292</u>	<u>\$ 4,539,490</u>	<u>\$ 4,662,591</u>
Accounts payable and accrued expenses	\$ 61,377	\$ -	\$ -	\$ 61,377	\$ 21,701
Net Assets:					
Unrestricted	4,372,138	-	-	4,372,138	4,520,990
Temporarily restricted (Note 3)	-	49,683	-	49,683	64,108
Permanently restricted	-	-	56,292	56,292	55,792
Total Net Assets	<u>4,372,138</u>	<u>49,683</u>	<u>56,292</u>	<u>4,478,113</u>	<u>4,640,890</u>
Total Liabilities and Net Assets	<u>\$ 4,433,515</u>	<u>\$ 49,683</u>	<u>\$ 56,292</u>	<u>\$ 4,539,490</u>	<u>\$ 4,662,591</u>

See accompanying notes

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008
(with comparative totals for 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008 Total</u>	<u>2007 Total</u>
Public Support:					
Donated medical services	\$ 19,489,157	\$ -	\$ -	\$ 19,489,157	\$ 18,116,802
Donated medical supplies and equipment	6,043,997	-	-	6,043,997	3,945,678
Contributions	1,149,127	1,000	500	1,150,627	653,563
Memberships	34,606	-	-	34,606	33,217
Total Public Support	<u>26,716,887</u>	<u>1,000</u>	<u>500</u>	<u>26,718,387</u>	<u>22,749,260</u>
Special Events:					
Gross revenue	13,873	-	-	13,873	1,020
Costs of direct benefit to participant	(5,408)	-	-	(5,408)	-
Net Special Events	<u>8,465</u>	<u>-</u>	<u>-</u>	<u>8,465</u>	<u>1,020</u>
Other Revenue (Losses):					
Interest and dividends	27,507	-	-	27,507	94,334
Unrealized gain (loss) on investments	(675,934)	-	-	(675,934)	28,518
Loss on disposal of assets	(2,629)	-	-	(2,629)	(26,497)
Gain (Loss) on sale of investments	(27,354)	-	-	(27,354)	69,197
Total Other Revenue (Losses)	<u>(678,410)</u>	<u>-</u>	<u>-</u>	<u>(678,410)</u>	<u>165,552</u>
Total Public Support, Special Event and Revenue	<u>26,046,942</u>	<u>1,000</u>	<u>500</u>	<u>26,048,442</u>	<u>22,915,832</u>
Net Assets Released From Restriction	<u>15,425</u>	<u>(15,425)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:					
International clinics	25,713,838	-	-	25,713,838	22,519,700
Santa Barbara Vision Care	145,649	-	-	145,649	129,319
Total Program Services	<u>25,859,487</u>	<u>-</u>	<u>-</u>	<u>25,859,487</u>	<u>22,649,019</u>
Management and General	121,924	-	-	121,924	149,320
Fundraising	229,808	-	-	229,808	114,486
Total Expenses	<u>26,211,219</u>	<u>-</u>	<u>-</u>	<u>26,211,219</u>	<u>22,912,825</u>
Change in Net Assets	(148,852)	(14,425)	500	(162,777)	3,007
Net Assets at Beginning of Year	<u>4,520,990</u>	<u>64,108</u>	<u>55,792</u>	<u>4,640,890</u>	<u>4,637,883</u>
Net Assets at End of Year	<u>\$ 4,372,138</u>	<u>\$ 49,683</u>	<u>\$ 56,292</u>	<u>\$ 4,478,113</u>	<u>\$ 4,640,890</u>

See accompanying notes

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSE
December 31, 2008
(with comparative totals for 2007)

	Program Services			Support Services		Totals	
	International Clinics	SB Vision Care	Total Program	Management and General	Fund-Raising	2008	2007
Donated medical services	\$ 19,428,034	\$ 61,123	\$ 19,489,157	\$ -	\$ -	\$ 19,489,157	\$ 18,116,802
Donated Medical Supplies	5,760,268	2,376	5,762,644	-	-	5,762,644	3,728,829
Conferences	53,981	-	53,981	-	-	53,981	44,132
Depreciation	35,028	9,191	44,219	468	455	45,142	63,032
Dues and subscriptions	909	-	909	254	247	1,410	2,351
Expeditions	20,514	6,593	27,107	-	-	27,107	29,050
Insurance	24,593	2,772	27,365	7,629	7,432	42,426	42,415
Maintenance	2,128	179	2,307	643	626	3,576	7,948
Miscellaneous	26,905	-	26,905	7,501	7,308	41,714	28,173
Outside services	49,481	26,825	76,306	7,705	91,307	175,318	161,145
Payroll taxes	15,231	2,374	17,605	4,908	4,782	27,295	34,128
Professional services	8,050	980	9,030	13,093	2,453	24,576	61,712
Promotion	-	-	-	-	37,525	37,525	28,119
Rent	66,852	5,618	72,470	20,203	19,683	112,356	147,773
Salaries	167,014	26,028	193,042	53,816	52,431	299,289	331,198
Special events	-	-	-	-	-	-	2,647
Supplies - office	9,213	518	9,731	2,713	2,643	15,087	21,428
Supplies - medical	35,795	182	35,977	-	-	35,977	42,682
Utilities and telephone	9,842	890	10,732	2,991	2,916	16,639	19,261
Totals - 2008	<u>\$ 25,713,838</u>	<u>\$ 145,649</u>	<u>\$ 25,859,487</u>	<u>\$ 121,924</u>	<u>\$ 229,808</u>	<u>\$ 26,211,219</u>	
Totals - 2006	<u>\$ 22,519,700</u>	<u>\$ 129,319</u>	<u>\$ 22,649,019</u>	<u>\$ 149,320</u>	<u>\$ 114,486</u>		<u>\$ 22,912,825</u>

See accompanying notes

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2008
(with comparative totals for 2007)

	2008	2007
Cash Flows from Operating Activities:		
Change in net assets	\$ (162,777)	\$ 3,007
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	45,142	63,032
Loss (gain) on sale of investments	27,354	(69,197)
Unrealized loss (gain) on investments	675,934	(28,518)
Loss on disposal of fixed assets	2,629	26,497
(Increase) decrease in:		
Pledges receivable	1,000	500
Inventory	(266,252)	(222,944)
Prepaid expenses	(1,827)	8,788
Increase (decrease) in:		
Accounts payable and accrued expenses	39,676	(54,270)
Net Cash Provided by (Used by) Operating Activities	360,879	(273,105)
Cash Flows From Investing Activities:		
Purchase of equipment	(31,271)	(46,110)
Proceeds from sale of investments	192,796	514,925
Net Cash Provided (Used) by Investing Activities	161,525	468,815
Net (Decrease) Increase in Cash	522,404	195,710
Cash at Beginning of Year	390,540	194,830
Cash at Ending of Year	\$ 912,944	\$ 390,540

See accompanying notes

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

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, 2008

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
December 31, 2008

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, 2008

Note 3 Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Clinic	\$ 16,000	\$ 16,000
General operating support	6,667	7,667
Other	27,016	40,441
	<u>\$ 49,683</u>	<u>\$ 64,108</u>

Permanently restricted net assets of \$56,292 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

2008 Donated Services

The value of \$19,489,157 includes 10,187 surgeries and 32,995 eye examinations performed on expeditions or with consumable surgical supplies or with capital equipment provided by SEE International.

2007 Donated Services

The value of \$18,116,802 includes 9,053 surgeries and 40,444 eye examinations 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 collect all pledges and bequests receivable within one year.

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 6 Lease Obligations

The Corporation leases its office and warehouse space under a 5 year lease that commenced November 1, 2006 and terminates October 31, 2011. The lease requires a monthly rent payment of \$10,438 and a monthly common area operating expense payment of \$1,837. The rent payment is subject to cost of living adjustments based on the CPI of the Bureau of Labor Statistics of the U.S. Dept. of Labor for the Los Angeles area. The maximum rent increase allowed under the lease is 6% per year.

The Corporation is obligated under the operating lease as follows:

2009	\$ 147,300
2010	147,300
2011	122,750

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.

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 10 Investments

Investments are carried at market value with realized and unrealized gains and losses reflected in the statement of activities. Investments consist of common stock and mutual funds at December 31, 2008.

Note 11 Supplemental Cash Flow Disclosures

Medical services donated to the Corporation were \$19,489,157 for the year ended December 31, 2008.

Medical supplies donated to the Corporation were \$6,043,997 for the year ended December 31, 2008.

There were no interest or taxes paid in 2008.

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.