



**SURGICAL EYE EXPEDITIONS
INTERNATIONAL, INC.
(DBA SEE INTERNATIONAL)**

FINANCIAL STATEMENTS

**December 31, 2018
(with Independent Auditors' Report Thereon)**



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

We have audited the accompanying financial statements of Surgical Eye Expeditions International, Inc. (a California nonprofit organization), DBA SEE International, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, 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.

Auditors' 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 of 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 Surgical Eye Expeditions International, Inc. as of December 31, 2018, and the changes 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.

Report on Summarized Comparative Information

We have previously audited the Surgical Eye Expeditions International, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stoltey & Associates

October 11, 2019
Los Olivos, California

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2018
(with comparative totals for 2017)

	Without Donor Restriction	With Donor Restriction	2018 Total	2017 Total
Current Assets:				
Cash and cash equivalents	\$ 315,625	\$ 24,331	\$ 339,956	\$ 9,321,931
Investments (Note 3)	4,272,398	-	4,272,398	-
Contributions receivable (Note 2)	-	36,900	36,900	56,700
Other receivables	-	-	-	19,812
Prepaid expenses and other assets	121,019	-	121,019	82,060
Medical supplies inventory	1,530,238	-	1,530,238	1,616,691
Total Current Assets	6,239,280	61,231	6,300,511	11,097,194
Noncurrent Assets:				
Contributions receivable - noncurrent (Note 2)	-	-	-	19,125
Cash held for endowment purposes	-	-	-	2,967,705
Security deposits	25,000	-	25,000	-
Investments held for endowment purposes (Note 3)	9,152,912	48,634	9,201,546	5,261,138
Property and Equipment (Note 5)	577,637	-	577,637	345,391
Total Assets	\$ 15,994,829	\$ 109,865	\$ 16,104,694	\$ 19,690,553
Current Liabilities:				
Accounts payable and accrued expenses	\$ 227,443	\$ -	\$ 227,443	\$ 226,139
Total Current Liabilities	227,443	-	227,443	226,139
Net Assets:				
Without Donor Restriction:				
Undesignated	6,614,474	-	6,614,474	11,090,858
Board designated - endowment (Notes 6 and 8)	9,152,912	-	9,152,912	8,169,051
With Donor Restriction				
Time restricted for future period (Note 7)	-	36,900	36,900	72,288
Purpose restrictions (Note 7)	-	24,331	24,331	72,425
Endowment (Notes 6 and 7)	-	48,634	48,634	59,792
Total Net Assets	15,767,386	109,865	15,877,251	19,464,414
Total Liabilities and Net Asset:	\$ 15,994,829	\$ 109,865	\$ 16,104,694	\$ 19,690,553

See accompanying notes

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018
(with comparative totals for 2017)

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>2018 Total</u>	<u>2017 Total</u>
Public Support:				
Donated medical services (Note 9)	\$ 74,155,073	\$ -	\$ 74,155,073	\$ 54,863,586
Donated medical supplies and equipment	17,422,161	-	17,422,161	20,125,448
In-kind donations - other	9,523	-	9,523	2,411
Contributions	1,399,260	286,905	1,686,165	11,014,560
Memberships	55,600	-	55,600	80,600
Total Public Support	<u>93,041,617</u>	<u>286,905</u>	<u>93,328,522</u>	<u>86,086,605</u>
Special Events:				
Gross revenue	24,510	-	24,510	19,883
Costs of direct benefit to participant	<u>(24,817)</u>	<u>-</u>	<u>(24,817)</u>	<u>(57,950)</u>
Net Special Events	<u>(307)</u>	<u>-</u>	<u>(307)</u>	<u>(38,067)</u>
Other Revenue (Losses):				
Program service revenue	41,527	-	41,527	37,412
Loss on disposal of assets	(3,690)	-	(3,690)	-
Investment income	<u>(931,214)</u>	<u>(6,789)</u>	<u>(938,003)</u>	<u>421,321</u>
Total Other Revenue (Losses)	<u>(893,377)</u>	<u>(6,789)</u>	<u>(900,166)</u>	<u>458,733</u>
Total Public Support, Special Event and Revenue	<u>92,147,933</u>	<u>280,116</u>	<u>92,428,049</u>	<u>86,507,271</u>
Net Assets Released From Restriction	<u>374,756</u>	<u>(374,756)</u>	<u>-</u>	<u>-</u>
Expenses:				
International clinics	92,344,244	-	92,344,244	75,558,553
Education	319,375	-	319,375	234,067
Santa Barbara Vision Care	986,515	-	986,515	443,570
United States - Domestic	<u>161,127</u>	<u>-</u>	<u>161,127</u>	<u>-</u>
Total Program Services	93,811,261	-	93,811,261	76,236,190
Management and General	1,341,227	-	1,341,227	790,456
Fundraising	<u>862,724</u>	<u>-</u>	<u>862,724</u>	<u>867,088</u>
Total Expenses	<u>96,015,212</u>	<u>-</u>	<u>96,015,212</u>	<u>77,893,734</u>
Change in Net Assets	(3,492,523)	(94,640)	(3,587,163)	8,613,537
Net Assets at Beginning of Year as previously reported	<u>19,259,909</u>	<u>204,505</u>	<u>19,464,414</u>	<u>10,850,877</u>
Net Assets at End of Year	<u>\$ 15,767,386</u>	<u>\$ 109,865</u>	<u>\$ 15,877,251</u>	<u>\$ 19,464,414</u>

See accompanying notes

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC
STATEMENT OF FUNCTIONAL EXPENSE
December 31, 2018
(with comparative totals for 2017)

	Program Services				Support Services		Totals		
	International Clinics	Education	SB Vision Care	United States - Domestic	Total Program	Management and General	Fund-Raising	2018	2017
Donated medical services	\$ 73,970,620	\$ -	\$ 184,453	\$ -	\$ 74,155,073	\$ -	\$ -	\$ 74,155,073	\$ 54,863,587
Donated medical supplies	17,161,491	-	364,693	-	17,526,184	-	9,173	17,535,357	20,013,331
Depreciation	128,728	8,674	24,302	7,558	169,262	12,277	6,138	187,677	142,316
Conferences and meetings	59,452	49,114	-	8,656	117,222	6,481	13,731	137,434	67,033
Clinics and programs	33,829	57,275	4,417	1,341	96,862	827	102	97,791	223,114
Information technology	26,799	3,244	20,464	5,645	56,152	18,323	15,489	89,964	81,000
Insurance	10,616	1,264	5,901	2,224	20,005	26,417	2,384	48,806	19,554
Marketing and promotion	6,961	5,890	7,292	3,535	23,678	4,851	270,905	299,434	336,803
Medical supplies	144,012	18,059	51,981	-	214,052	-	-	214,052	112,641
Miscellaneous	6,884	2,200	2,893	1,549	13,526	33,945	9,518	56,989	45,965
Occupancy	107,065	17,569	40,522	16,294	181,450	135,639	23,161	340,250	113,470
Office expenses	15,372	1,311	8,525	2,549	27,757	37,307	4,126	69,190	38,025
Payroll taxes	35,351	5,759	17,600	6,630	65,340	53,148	14,564	133,052	94,132
Pension	13,249	2,109	5,043	2,491	22,892	19,894	5,559	48,345	35,064
Personnel benefits	39,382	3,956	19,790	8,301	71,429	47,280	8,149	126,858	-
Personnel compensation	401,149	75,159	211,690	80,028	768,026	666,596	202,686	1,637,308	1,331,089
Legal	494	494	494	494	1,976	24,215	494	26,685	1,705
Accounting	-	-	-	-	-	72,949	-	72,949	74,439
Outside services	169,130	6,395	14,618	6,237	196,380	170,834	244,472	611,686	223,635
Travel	13,660	60,903	1,837	7,595	83,995	10,244	32,073	126,312	51,119
Totals - 2018	\$ 92,344,244	\$ 319,375	\$ 986,515	\$ 161,127	\$ 93,811,261	\$ 1,341,227	\$ 862,724	\$ 96,015,212	
Totals - 2017	\$ 75,558,553	\$ 234,067	\$ 443,570	\$ -	\$ 76,236,190	\$ 790,456	\$ 867,088		\$ 77,868,022

See accompanying notes

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018
(with comparative totals for 2017)

	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	\$ (3,587,163)	\$ 8,613,537
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	138,719	(142,316)
Unrealized loss (gain) on investments	1,225,831	(278,124)
Realized loss (gain) on investments	113,577	(18,148)
Loss on disposal of assets	3,690	-
(Increase) decrease in:		
Pledges receivable	38,925	(75,825)
Other receivables	19,812	(19,812)
Inventory	86,453	(108,791)
Prepaid expenses and other assets	(63,959)	(25,166)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,304	57,076
Net Cash Provided by (Used by) Operating Activities	(2,022,811)	8,002,431
Cash Flows From Investing Activities:		
Purchase of equipment	(374,655)	64,028
Purchase of investments	(13,868,479)	(3,693,408)
Proceeds from sale of investments	4,316,265	1,100,597
Change in cash held for long-term purposes	2,967,705	108,600
Net Cash Provided by (Used by) Investing Activities	(6,959,164)	(2,420,183)
Net Increase in Cash	(8,981,975)	5,582,248
Cash at Beginning of Year	9,321,931	3,739,683
Cash at Ending of Year	\$ 339,956	\$ 9,321,931

See accompanying notes

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

This summary of significant accounting policies of Surgical Eye Expeditions International, Inc. (SEE) is presented to assist in understanding the SEE financial statements. The financial statements and notes are representations of SEE management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

Nature of Activities

Surgical Eye Expeditions International, Inc. 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

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

Skills Enhancement

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

Applied Research and Development

As part of SEE'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

SEE 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.

SEE 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.

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.

Notes to Financial Statements

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

SEE's office and warehouse facilities are located in Goleta, California.

Prior-Year Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but are not presented by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with SEE's financial statements for the year ended December 31, 2017 from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consists of cash on hand, cash in banks, and cash in money market funds.

Contributions Receivable

SEE initially records and subsequently carries unconditional contributions receivable at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.

Inventory

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.

Fixed Assets

SEE records fixed asset additions over \$1,000 at cost, or if donated, at fair value on the date of donation. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. Management has estimated the useful lives of depreciable assets as follows:

- Office Furniture and Equipment 5-7 years
- Surgical Equipment 5 years

SEE reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.

Notes to Financial Statements

carrying value exceeds the fair value of the asset. Management has determined there were no indicators of asset impairment during the year ended December 31, 2018.

Investments

SEE records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment management expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets available for use in general operations and not subject to donor restrictions are reported as net assets without donor restriction. The governing Board has designated, from net assets without donor restrictions, net assets for a quasi-endowment.

Net Assets with Donor Restrictions

Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

SEE reports contributions restricted by donors 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 as net assets released from restrictions.

Revenue and Revenue Recognition

Exchange Transactions

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred.

Contributions

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.

Notes to Financial Statements

to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteerism and contributed services are critical to SEE. Donated professional services and supplies pass through SEE 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. SEE reports gifts of donated services as unrestricted support and expense.

SEE reports donated medical supplies at estimated fair value at the date of the contribution. SEE reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used at the estimated fair market value on the date gift is received.

Advertising Costs

Advertising costs are expensed as incurred and approximated \$324,251 during the year ended December 31, 2018.

Functional Expenses

The cost of providing SEE programs and other activities is summarized on a functional basis in the statement of functional expenses. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Expenses that are attributed to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. The expenses allocated are as follows:

Information Technology	Time and Effort
Insurance – Property	Square Footage
Insurance – Workers Compensation	Time and Effort
Occupancy	Square Footage
Office Expenses	Time and Effort
Payroll Taxes	Time and Effort
Personnel Compensation	Time and Effort

Tax Exempt Status

SEE is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3) and qualifies for

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.

Notes to Financial Statements

the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi) and has been determined not to be a private foundation under IRC Section 509(a)(2). SEE is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, SEE is subject to tax on income that is derived from business activities that are unrelated to its exempt purpose. Management has determined SEE is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

SEE tax filings are subject to examination by the IRS, generally for three years after they are filed. SEE is not aware of any activities that would jeopardize its tax-exempt status.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, SEE's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. SEE management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates. Significant estimates used in the preparation of these financial statements include:

- Allocation of functional expenses
- Fair value of donated medical services
- Fair value of donated medical supplies

Reclassifications

Certain items in the 2017 financial statements were reclassified in order to conform to the 2018 presentation.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. SEE has implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented with no material reclassifications between net asset without donor restrictions and net assets with donor restrictions.

Subsequent Events

Management has evaluated subsequent events through October 11, 2019, the date that the financial statements were available to be issued.

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.

Notes to Financial Statements

Note 2: Contributions Receivable

Unconditional contributions receivable are estimated to be collected in the year ending December 31, 2019. No fair market value adjustments have been made to the value of contributions receivable.

Note 3: Fair Value Measurements and Disclosures

SEE reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that SEE can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, SEE develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to management's assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of SEE's investment assets are classified within Level 1 as they are comprised of common stock, exchange traded funds and open-end mutual funds, with readily determinable fair values based on daily redemption values.

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Notes to Financial Statements

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost or by using net asset value per share as a practical expedient as identified in the following, at December 31, 2018:

	Total	Level 1	Level 2	Level 3
Investments:				
Temporary Cash	\$ 908,390	\$ 908,390	\$ -	\$ -
Mutual Funds–				
Equities	2,673,831	2,673,831	-	-
Fixed Income	2,641,625	2,641,625	-	-
Common Stocks	1,541,742	1,541,742	-	-
Exchange				
Traded Funds	5,708,356	5,708,356	-	-
	13,473,944	13,473,944	-	-
Contributions				
Receivable	36,900	-	-	36,900
Total	\$13,510,844	\$ 13,473,944	\$ -	\$ 36,900

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2018:

Contributions Receivable:	
Balance at Beginning of Year	\$ 75,825
Additions	17,208
Collections	(56,133)
Balance at End of Year	\$ 36,900

Note 4: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following:

Operating cash and cash Equivalents	
without donor restrictions	\$ 315,625
Operating Investments	4,332,189
Contributions Receivable without Purpose Restriction	34,892
Endowment spending-rate distributions and appropriations	350,000
Total	\$ 5,032,706

SEE Endowment funds consist of Board Designated and donor restricted endowments which are subject to an annual spending policy as described in Note 6.

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.

Notes to Financial Statements

Note 5: Fixed Assets

Fixed Assets at December 31, 2018 are summarized by major classifications as follows:

Office Furniture and Equipment	\$ 312,954
Medical Equipment	<u>1,128,196</u>
	1,441,150
Less Accumulated Depreciation	<u>(863,513)</u>
Fixed Assets, Net	<u>\$ 577,637</u>

Depreciation expense for the year ended December 31, 2018 and 2017 was \$187,677 and \$142,316, respectively.

Note 6: Endowment Funds

SEE's Endowment (the Endowment) consists of donor and non-donor restrictions and was established for the specific purpose of long-term stability and insuring the continuance of the mission of SEE. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of SEE has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the Donor-Restricted Endowment Funds absent explicit donor stipulations to the contrary. At December 31, 2018, there were no such donor stipulations. As a result of this interpretation, SEE retains in perpetuity (a) the original value of initial and subsequent gift amount (including contributions receivable at fair value donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by SEE in a manner consistent with the standard of prudence prescribed by UPMIFA. SEE considers the following factors in making a determination to appropriate or accumulate Donor-Restricted Endowment Funds:

- The duration and preservation of the fund
- The purposes of SEE and the fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of SEE
- The investment policies of SEE

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.

Notes to Financial Statements

Funds with Deficiencies

From time to time, certain Donor-Restricted Endowment Funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). SEE has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2018, there were no endowment funds underwater.

Changes in Endowment Net Assets for the year ended December 31, 2018 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>
Endowment Net Assets, Beginning of Year	\$ 8,169,051	\$ 59,792
Contributions	2,060,140	-
Investment income	(730,829)	(6,789)
Draw per Spending Policy	<u>(345,450)</u>	<u>(4,369)</u>
Endowment Net Assets, End of Year	<u>\$ 9,152,912</u>	<u>\$ 48,634</u>

Investment and Spending Policies

Endowment funds may be appropriated for expenditure in amounts not to exceed, on an annual basis, four percent of the endowment's total average value for the preceding calendar year. The Board of Directors may, at its own discretion, appropriate for expenditure an amount that exceeds the four percent threshold.

Note 7: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purpose or periods:

Purpose Restrictions:

Santa Barbara Vision Care	\$ 2,098
International program	13,319
Equipment	<u>8,914</u>
	<u>\$ 24,331</u>

Time Restricted for Future Period:

Contributions Receivable without Donor Purpose Restrictions	<u>\$ 36,900</u>
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Endowments:

Subject to Endowment Policy and Appropriation: General Endowment	<u>\$ 48,634</u>
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SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.

Notes to Financial Statements

Note 8: Board Designated Net Assets

At December 31, 2018 the Board of Directors has designated \$9,152,912 of net assets without donor restrictions as a quasi-endowment which is subject to the spending policy described in note 6.

Note 9: Donated Medical Services

2018 Donated Services

The value of \$74,155,073 includes 38,139 surgeries and 89,476 eye examinations performed on expeditions or with consumable surgical supplies or with capital equipment provided by SEE International.

2017 Donated Services

The value of \$54,863,586 includes 26,696 surgeries and 89,447 eye examinations performed on expeditions or with consumable surgical supplies or with capital equipment provided by SEE International.

The number of surgeries is 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 9: Employee Benefits

SEE maintains a defined contribution retirement plan for eligible employees. The plan is a qualified retirement plan under IRC Section 401(a). Contributions to the plan by SEE are discretionary. Contributions to the plan for the year ended December 31, 2018 were \$48,345.

SEE pays all administrative costs of the above plan.

Note 10: Customer and Credit Risk Concentrations

SEE manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, SEE has not experienced losses in any of these accounts. Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates. Investments are made by diversified investment managers whose performance is monitored by SEE and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of SEE.

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.

Notes to Financial Statements

SEE maintains bank account at a local financial institution. The deposits at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Cash balances held in brokerage accounts are insured by the Securities Investor Protection Corporation (SIPC) up to \$250,000 per institution. From time to time cash held during the year exceeded the insured thresholds. At December 31, 2018 SEE held \$89,302 of cash deposits in excess of FDIC insurance limits.

Note 11: Lease Commitments

SEE leases office and warehouse space located in Goleta, California. The lease term initiated on April 1, 2018 and will expire on May 31, 2023. The lease terms require a monthly base rent of \$17,921 with schedule annual increases of 3%. In addition, the lease agreement requires SEE to pay monthly building operating expenses of approximately \$6,000.

SEE is obligated to make the following payments under the lease:

	<u>Minimum Lease Payment</u>	<u>Estimated Common Area Payment</u>	<u>Total</u>
2019	\$ 219,891	\$ 72,000	\$ 291,891
2020	226,487	72,000	298,487
2021	233,282	72,000	305,282
2022	240,280	72,000	312,280
2023	80,681	24,000	104,681
Totals	<u>\$ 1,000,621</u>	<u>\$ 312,000</u>	<u>\$ 1,312,621</u>