



**SURGICAL EYE EXPEDITIONS  
INTERNATIONAL, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2014  
(with Independent Auditors' Report Thereon)**



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

We have audited the accompanying financial statements of Surgical Eye Expeditions International, Inc. (a California nonprofit organization), which comprise the statement of financial position as of December 31, 2014, 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, 2014, 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. 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 29, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Stoltey & Associates*

July 30, 2015  
Los Olivos, California

**SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2014**  
**(with comparative totals for 2013)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 300,550	\$ 32,000	\$ -	\$ 332,550	\$ 304,912
Investments (Note 3)	28,096	-	58,792	86,888	532,553
Pledges receivable (Note 4)	-	30,700	-	30,700	32,000
Prepaid expenses and other assets	15,675	-	-	15,675	26,032
Medical supplies inventory	1,126,481	-	-	1,126,481	953,274
<b>Total Current Assets</b>	<u>1,470,802</u>	<u>62,700</u>	<u>58,792</u>	<u>1,592,294</u>	<u>1,848,771</u>
<b>Property and Equipment (Note 2):</b>					
Office furniture and equipment	19,691	-	-	19,691	11,321
Computer equipment	59,529	-	-	59,529	59,529
Surgical equipment	1,343,188	-	-	1,343,188	1,329,243
<b>Total Equipment</b>	<u>1,422,408</u>	<u>-</u>	<u>-</u>	<u>1,422,408</u>	<u>1,400,093</u>
Less accumulated depreciation	(1,169,072)	-	-	(1,169,072)	(1,080,070)
<b>Net Property and Equipment</b>	<u>253,336</u>	<u>-</u>	<u>-</u>	<u>253,336</u>	<u>320,023</u>
<b>Total Assets</b>	<u>\$ 1,724,138</u>	<u>\$ 62,700</u>	<u>\$ 58,792</u>	<u>\$ 1,845,630</u>	<u>\$ 2,168,794</u>
<b>Current Liabilities:</b>					
Accounts payable and accrued expenses	\$ 67,970	\$ -	\$ -	\$ 67,970	\$ 112,194
Current portion of capital lease obligation (Note 5)	1,001	-	-	1,001	5,656
<b>Total Current Liabilities</b>	<u>68,971</u>	<u>-</u>	<u>-</u>	<u>68,971</u>	<u>117,850</u>
Capital lease obligation Less Current Portion (Note 5)	-	-	-	-	1,000
<b>Total Liabilities</b>	<u>68,971</u>	<u>-</u>	<u>-</u>	<u>68,971</u>	<u>118,850</u>
<b>Net Assets:</b>					
Unrestricted	1,655,167	-	-	1,655,167	1,932,152
Temporarily restricted (Note 6)	-	62,700	-	62,700	54,000
Permanently restricted (Note 6)	-	-	58,792	58,792	63,792
<b>Total Net Assets</b>	<u>1,655,167</u>	<u>62,700</u>	<u>58,792</u>	<u>1,776,659</u>	<u>2,049,944</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,723,137</u>	<u>\$ 62,700</u>	<u>\$ 58,792</u>	<u>\$ 1,845,630</u>	<u>\$ 2,168,794</u>

See accompanying notes

**SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2014**  
**(with comparative totals for 2013)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
Public Support:					
Donated medical services (Note 7)	\$ 26,372,260	\$ -	\$ -	\$ 26,372,260	\$ 21,570,826
Donated medical supplies and equipment	8,829,075	-	-	8,829,075	6,762,395
In-kind donations - other	17,124	-	-	17,124	455
Contributions	758,524	84,000	5,000	847,524	772,093
Memberships	38,898	-	-	38,898	14,072
Total Public Support	<u>36,015,881</u>	<u>84,000</u>	<u>5,000</u>	<u>36,104,881</u>	<u>29,119,841</u>
Special Events:					
Gross revenue	50,897	-	-	50,897	-
Costs of direct benefit to participant	(30,694)	-	-	(30,694)	-
Net Special Events	<u>20,203</u>	<u>-</u>	<u>-</u>	<u>20,203</u>	<u>-</u>
Other Revenue (Losses):					
Program service revenue	6,930	-	-	6,930	-
Interest and dividends	7,878	-	-	7,878	20,481
Unrealized gain (loss) on investments (Note 3)	15,130	-	-	15,130	9,205
Loss on disposal of assets	-	-	-	-	(600)
Gain (Loss) on sale of investments	2,684	-	-	2,684	52,346
Total Other Revenue (Losses)	<u>32,622</u>	<u>-</u>	<u>-</u>	<u>32,622</u>	<u>81,432</u>
Total Public Support, Special Event and Revenue	<u>36,068,706</u>	<u>84,000</u>	<u>5,000</u>	<u>36,157,706</u>	<u>29,201,273</u>
Net Assets Released From Restriction	<u>85,300</u>	<u>(85,300)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:					
International clinics	35,331,008	-	-	35,331,008	28,060,572
Santa Barbara Vision Care	408,357	-	-	408,357	364,079
Total Program Services	<u>35,739,365</u>	<u>-</u>	<u>-</u>	<u>35,739,365</u>	<u>28,424,651</u>
Management and General	335,885	-	-	335,885	294,715
Fundraising	355,741	-	-	355,741	616,472
Total Expenses	<u>36,430,991</u>	<u>-</u>	<u>-</u>	<u>36,430,991</u>	<u>29,335,838</u>
Change in Net Assets	(276,985)	(1,300)	5,000	(273,285)	(134,565)
Net Assets at Beginning of Year	1,932,152	54,000	63,792	2,049,944	2,184,509
Reclassification of Net Assets	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>
Net Assets at End of Year	<u>\$ 1,655,167</u>	<u>\$ 62,700</u>	<u>\$ 58,792</u>	<u>\$ 1,776,659</u>	<u>\$ 2,049,944</u>

See accompanying notes

**SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSE**  
**December 31, 2014**  
**(with comparative totals for 2013)**

	Program Services			Support Services		Totals	
	International Clinics	SB Vision Care	Total Program	Management and General	Fund-Raising	2014	2013
Donated medical services	\$ 26,190,249	\$ 182,011	\$ 26,372,260	\$ -	\$ -	\$ 26,372,260	\$ 21,570,826
Donated medical supplies	8,600,969	53,750	8,654,719	-	-	8,654,719	6,214,402
Conferences	34,453	-	34,453	-	-	34,453	48,898
Depreciation	82,766	2,778	85,544	2,053	1,405	89,002	66,562
Dues and subscriptions	1,910	-	1,910	1,233	844	3,987	4,029
Expeditions	27,959	8,092	36,051	-	-	36,051	34,103
Insurance and benefits	29,482	14,330	43,812	28,275	19,364	91,451	75,645
Interest	291	-	291	188	129	608	1,163
Maintenance	533	293	826	533	365	1,724	2,186
Miscellaneous	32,152	4,419	36,571	23,602	16,164	76,337	44,410
Outside services	10,897	3,706	14,603	9,425	59,151	83,179	207,272
Payroll taxes	15,877	9,567	25,444	16,421	11,246	53,111	57,268
Professional services	5,253	2,720	7,973	5,146	3,524	16,643	19,216
Promotion	-	-	-	-	73,016	73,016	133,657
Rent	28,606	9,619	38,225	22,466	15,386	76,077	81,104
Salaries	204,076	104,759	308,835	199,316	136,501	644,652	665,499
Supplies - office	18,805	4,302	23,107	14,913	10,213	48,233	46,838
Supplies - medical	35,661	-	35,661	-	-	35,661	24,525
Utilities and telephone	11,069	8,011	19,080	12,314	8,433	39,827	38,235
Totals - 2014	<u>\$ 35,331,008</u>	<u>\$ 408,357</u>	<u>\$ 35,739,365</u>	<u>\$ 335,885</u>	<u>\$ 355,741</u>	<u>\$ 36,430,991</u>	
Totals - 2013	<u>\$ 28,060,572</u>	<u>\$ 364,079</u>	<u>\$ 28,424,651</u>	<u>\$ 294,715</u>	<u>\$ 616,472</u>		<u>\$ 29,335,838</u>

See accompanying notes

**SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2014**  
**(with comparative totals for 2013)**

	2014	2013
Cash Flows from Operating Activities:		
Change in net assets	\$ (273,285)	\$ (134,565)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	89,002	66,562
Loss (gain) on sale of investments	(2,684)	(52,346)
Unrealized loss (gain) on investments	(15,130)	(9,205)
Loss on disposal of fixed assets	-	600
Donations of equipment	(12,000)	(248,238)
(Increase) decrease in:		
Pledges receivable	1,300	(9,753)
Inventory	(173,207)	(296,955)
Prepaid expenses	10,357	(4,968)
Increase (decrease) in:		
Accounts payable and accrued expenses	(44,224)	44,733
Net Cash Provided by (Used by) Operating Activities	(419,871)	(644,135)
Cash Flows From Investing Activities:		
Purchase of equipment	(10,315)	(13,891)
Purchase of investments	(1,403)	(342,944)
Proceeds from sale of investments	464,882	864,183
Net Cash Provided (Used) by Investing Activities	453,164	507,348
Cash Flows From Financing Activities:		
Proceeds from issuance of debt	-	-
Principal payments on long term debt	(5,655)	(5,101)
Net Cash Provided (Used) by Financing Activities	(5,655)	(5,101)
Net Increase (decrease) in Cash	27,638	(141,888)
Cash at Beginning of Year	304,912	446,800
Cash at Ending of Year	\$ 332,550	\$ 304,912

See accompanying notes

**SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**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.

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



**SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

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**

The Corporation prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for non-profit organizations. The significant accounting and reporting policies used by the Corporation are described subsequently to enhance the usefulness and understandability of the financial statements.

Net Assets

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

*Unrestricted Net Assets*

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the nature of the Corporation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

*Temporarily Restricted Net Assets*

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Corporation's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the Corporation, unless the donor provides more specific directions about the period of its use.

**SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

*Permanently Restricted Net Assets*

Permanently restricted net assets are resources whose use by the Corporation is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of the Corporation's donor-restricted endowment funds that must be maintained in perpetuity are classified in this net asset class.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in unrestricted net assets. Net losses on endowment investments reduce temporarily restricted net assets to the extent that net gains of the fund from prior years are unspent and classified there; remaining losses are classified as decreases in unrestricted net assets. If an endowment fund has no net gains from prior years, such as when a fund is newly established, net losses are classified as decreases in unrestricted net assets.

Cash Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

Investments - Endowment

Endowment investments consist of investments purchased with the following resources:

- Board-designated endowments, which are resources set aside by the Board of Directors for an indeterminate period to operate in manner similar to a donor-restricted permanent endowment. Because a board-designated endowment results from an internal designation, it can be spent upon action of the Board of Directors.
- Donor-restricted permanent endowments, which are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the Corporation's activities.

Endowment investments also include investments purchased with unspent investment income and net gains on these resources.

Endowment investments are reported at fair value.

The investment and spending policies for the Endowment Fund are discussed in note 7.

Pledges Receivable

Pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less

**SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises.

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.

Furniture and Equipment

Furniture and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. Equipment is capitalized if it has a cost of \$500 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

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

Furniture and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

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

**SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

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.

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

Expense Recognition and Allocation

The cost of providing the Corporation's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Corporation.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Corporation generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Income Taxes

Surgical Eye Expeditions International, Inc. is exempt from federal and state income taxes as described under Section 501(c)(3) of the Internal Revenue Code and Section 27301d of the California Revenue and Tax Code. The tax years ending 2013, 2012, and 2011 are still open to audit for both federal and state purposes. Contributions to the Corporation are tax deductible to donors under Section 170 of the IRC. The Corporation is not classified as a private foundation.

Fair Value Measurements

The Corporation reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the Corporation has access at the measurement date.

**SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets in markets that are not active;
  - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
  - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, the Corporation measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Corporation is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the Corporation's financial statements are

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of investments (note 4).

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 allocation of costs for the statement of functional expenses.

Comparative Information

The financial statements include certain prior year summarized comparative information in total and not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles.

**SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**Note 3 Investments**

Investments consist of the following at of December 31, 2014:

	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Mutual funds – equities	<u>\$ 86,886</u>	<u>\$ 53,658</u>	\$ 33,228
Less unrealized gain at beginning of year			<u>(18,100)</u>
Unrealized gain (loss)			<u>\$ 15,130</u>

As discussed in note 2 to these financial statements, the Corporation is required to report its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the organization’s valuation techniques. Level 1, the most observable level of inputs, is for investments measured at quoted prices in active markets for identical investments as of the December 31, 2014. Level 2 is for investments measured using inputs such as quoted prices for similar assets, quoted prices for the identical asset in inactive markets, and for investments measured at net asset value that can be redeemed in the near term. Level 3 is for investments measured using inputs that are unobservable, and is used in situations for which there is little, if any, market activity for the investment.

The Corporation uses the following ways to determine the fair value of its investments:

*Equity open-end mutual funds:* Determined by the published net asset value per unit at the end of the last trading day of the fiscal year, that is the basis for transactions at that date.

The following table summarizes the levels in the fair value hierarchy of the organization’s investments at December 31, 2014:

	<u>Level 1</u>	<u>Total</u>
Equity mutual funds	<u>\$ 86,886</u>	<u>\$ 86,886</u>

There were no significant transfers between the levels during the year. The Corporation’s policy is to recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized. At December 31, 2014, the Corporation does not have any investments measured using level 2 or level 3 inputs.

**Note 4 Pledges Receivable**

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

**SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

and bequests receivable within one year. Management believes all pledges receivable are collectible and thus no reserve for uncollectible pledges receivable has been reported at December 31, 2014.

**Note 5 Lease Obligations**

*Capital Lease*

The Corporation is the lessee of computer equipment under a capital lease expiring February 2015. The assets and liabilities under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense for fiscal year 2014.

Following is a summary of property held under capital leases:

Computer equipment	\$ 15,624
Accumulated amortization	<u>(14,326)</u>
	<u>\$ 1,298</u>

Minimum future lease payments under capital leases as of December 31, 2014 were as follows:

	<u>Amount</u>
2015	\$ 1,013
Amount representing interest	<u>(12)</u>
Present value of net minimum lease payments	<u>\$ 1,001</u>

Interest rate on capitalized lease is 10.365% and is imputed based on the lessor's implicit rate of return.

The capital lease provides a purchase option for \$1. Generally, purchase options are at prices representing the expected fair value of the property at the expiration of the lease term.

*Operating Lease*

The Corporation leases its office and warehouse space under a 36 month lease that commenced October 1, 2014 and terminates September 30, 2017. The lease requires a monthly rent payment of \$3,204 and a monthly building operating expense payment of approximately \$1,750.

The Corporation is obligated, including the estimated building operating expense payment, under the operating lease as follows:

2015	\$ 59,352
2016	59,352
2017	44,514

**SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

Total rent expense for the year ended December 31, 2014 was \$76,077.

**Note 6 Restricted Net Assets**

*Temporarily Restricted Net Assets*

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
General operating	\$ 52,700	\$ 54,000
Clinics	<u>10,000</u>	<u>-</u>
Total	<u>\$ 62,700</u>	<u>\$ 54,000</u>

*Permanently Restricted Net Assets*

Permanently restricted net assets of \$58,792 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.

During the year ended December 31, 2014 a donor who had previously donated to the endowment requested \$10,000 of his gift be removed from the permanent endowment and be restricted for future clinics.

**Note 7 Donated Medical Services**

2014 Donated Services

The value of \$26,372,260 includes 12,755 surgeries and 35,213 eye examinations performed on expeditions or with consumable surgical supplies or with capital equipment provided by SEE International.

2013 Donated Services

The value of \$21,570,826 includes 11,051 surgeries and 21,252 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.



**SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**Note 8 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 9 Concentrations**

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.

The majority of the Corporation's contributions and grants are received from corporations, foundations, and individuals located in the Santa Barbara, California area. As such, the Corporation's ability to generate resources via contributions and grants is dependent upon the economic health of that area.

The Corporation receives nearly all donated medical supplies from one contributor.

**Note 10 Reclassifications**

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

**Note 11 Supplemental Cash Flow Disclosures**

Medical services donated to the Corporation were \$26,372,260 for the year ended December 31, 2014.

Medical supplies donated to the Corporation were \$8,829,075 for the year ended December 31, 2014.

The Corporation made interest payments of \$608 for the year ended December 31, 2014.

**SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

Medical equipment with an estimated fair market value of \$12,000 was donated to the Corporation during the year ended December 31, 2014.

**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.

**Note 13 Endowment**

The Corporation's endowment has been established for the specific purpose of long-term stability and insuring the continuance of the mission of the Corporation. Its endowment consists of donor-restricted endowment funds. 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.

**Interpretation of Relevant Law**

The Board of Directors of the Corporation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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. As a result of this interpretation, The Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Corporation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Corporation
- (7) The investment policies of the Corporation.

**SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

Endowment net asset composition by type of fund as of December 31, 2014

	<b>Unrestricted (Designated)</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor Restricted	\$ <u>95,359</u>	\$ <u>-</u>	\$ <u>58,792</u>	\$ <u>154,151</u>

Changes in Endowment

Net Assets for the Fiscal Year Ended December 31, 2014 are as follows:

	<b>Unrestricted (Designated)</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 486,114	\$ -	\$ 63,792	\$ 549,906
Investment return	24,525	-	-	24,525
Contributions	-	-	5,000	5,000
Administrative expenses	(2,280)	-	-	(2,280)
Donor redirection of gift	-	-	(10,000)	(10,000)
Appropriation of endowment assets for expenditure	<u>(413,000)</u>	<u>-</u>	<u>-</u>	<u>(413,000)</u>
Endowment net assets, ending of year	\$ <u>95,359</u>	\$ <u>-</u>	\$ <u>58,792</u>	\$ <u>154,151</u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Corporation to retain as a fund of perpetual duration. At December 31, 2014 no such deficiencies existed.

**Return Objectives and Risk Parameters**

The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity.

**SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, The Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation targets a diversified asset allocation that places a greater emphasis on equity mutual funds investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

Endowment funds may be appropriated for expenditure in amounts not to exceed, on an annual basis, six 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 six percent threshold.

**Note 14 Subsequent Events**

Management has evaluated events through July 30, 2015, which is the date the financial statements were available to be issued. Management has determined that no subsequent event requiring disclosure or significantly impacting disclosure has occurred.