



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

FINANCIAL STATEMENTS

**December 31, 2017
(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 (a California nonprofit organization), DBA SEE International, which comprise the statement of financial position as of December 31, 2017, 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 as of December 31, 2017, 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. 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 3, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stoltey & Associates

October 26, 2018
Orcutt, California

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC
STATEMENT OF FINANCIAL POSITION
December 31, 2017
(with comparative totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Current Assets:					
Cash and cash equivalents	\$ 9,253,043	\$ 68,888	\$ -	\$ 9,321,931	\$ 3,739,683
Pledges receivable (Note 4)	-	56,700	-	56,700	-
Other receivables	19,812	-	-	19,812	-
Prepaid expenses and other assets	82,060	-	-	82,060	56,894
Medical supplies inventory	1,616,691	-	-	1,616,691	1,507,900
Total Current Assets	<u>10,971,606</u>	<u>125,588</u>	<u>-</u>	<u>11,097,194</u>	<u>5,304,477</u>
Noncurrent Assets:					
Pledges receivable - noncurrent (Note 4)	-	19,125	-	19,125	-
Cash held for endowment purposes	2,967,705	-	-	2,967,705	3,076,305
Investments held for endowment purposes (Note 3)	5,201,346	-	59,792	5,261,138	2,372,055
Property and Equipment (Note 2):					
Office furniture and equipment	13,999	-	-	13,999	11,109
Computer equipment	112,797	-	-	112,797	93,938
Surgical equipment	1,683,913	-	-	1,683,913	1,485,058
Total Equipment	<u>1,810,709</u>	<u>-</u>	<u>-</u>	<u>1,810,709</u>	<u>1,590,105</u>
Less accumulated depreciation	<u>(1,465,318)</u>	<u>-</u>	<u>-</u>	<u>(1,465,318)</u>	<u>(1,323,002)</u>
Net Property and Equipment	<u>345,391</u>	<u>-</u>	<u>-</u>	<u>345,391</u>	<u>267,103</u>
Total Assets	<u>19,486,048</u>	<u>144,713</u>	<u>59,792</u>	<u>19,690,553</u>	<u>11,019,940</u>
Current Liabilities:					
Accounts payable and accrued expenses	226,139	-	-	226,139	169,063
Total Current Liabilities	<u>226,139</u>	<u>-</u>	<u>-</u>	<u>226,139</u>	<u>169,063</u>
Net Assets:					
Unrestricted	11,090,858	-	-	11,090,858	5,376,103
Unrestricted - designated for endowment (Note 12)	8,169,051	-	-	8,169,051	5,388,568
Temporarily restricted (Notes 6 & 12)	-	144,713	-	144,713	26,414
Permanently restricted (Notes 6 & 12)	-	-	59,792	59,792	59,792
Total Net Assets	<u>19,259,909</u>	<u>144,713</u>	<u>59,792</u>	<u>19,464,414</u>	<u>10,850,877</u>
Total Liabilities and Net Assets	<u>\$ 19,486,048</u>	<u>\$ 144,713</u>	<u>\$ 59,792</u>	<u>\$ 19,690,553</u>	<u>\$ 11,019,940</u>

See accompanying notes

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017
(with comparative totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Public Support:					
Donated medical services (Note 7)	\$ 54,863,586	\$ -	\$ -	\$ 54,863,586	\$ 39,198,358
Donated medical supplies and equipment	20,125,448	-	-	20,125,448	18,988,942
In-kind donations - other	2,411	-	-	2,411	4,016
Contributions	10,869,847	144,713	-	11,014,560	9,651,068
Memberships	80,600	-	-	80,600	77,680
Total Public Support	<u>85,941,892</u>	<u>144,713</u>	<u>-</u>	<u>86,086,605</u>	<u>67,920,064</u>
Special Events:					
Gross revenue	19,883	-	-	19,883	1,080
Costs of direct benefit to participant	(57,950)	-	-	(57,950)	-
Net Special Events	<u>(38,067)</u>	<u>-</u>	<u>-</u>	<u>(38,067)</u>	<u>1,080</u>
Other Revenue (Losses):					
Program service revenue	37,412	-	-	37,412	32,737
Interest and dividends	125,049	-	-	125,049	43,063
Realized gain on investments (note 3)	18,148	-	-	18,148	-
Unrealized gain (loss) on investments (Note 3)	278,124	-	-	278,124	152,577
Total Other Revenue (Losses)	<u>458,733</u>	<u>-</u>	<u>-</u>	<u>458,733</u>	<u>228,377</u>
Total Public Support, Special Event and Revenue	<u>86,362,558</u>	<u>144,713</u>	<u>-</u>	<u>86,507,271</u>	<u>68,149,521</u>
Net Assets Released From Restriction	<u>26,414</u>	<u>(26,414)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:					
International clinics	75,558,553	-	-	75,558,553	58,858,837
Education	234,067	-	-	234,067	-
Santa Barbara Vision Care	443,570	-	-	443,570	398,806
Total Program Services	<u>76,236,190</u>	<u>-</u>	<u>-</u>	<u>76,236,190</u>	<u>59,257,643</u>
Management and General	790,456	-	-	790,456	456,007
Fundraising	867,088	-	-	867,088	778,410
Total Expenses	<u>77,893,734</u>	<u>-</u>	<u>-</u>	<u>77,893,734</u>	<u>60,492,060</u>
Change in Net Assets	8,495,238	118,299	-	8,613,537	7,657,461
Net Assets at Beginning of Year as previously reported	<u>10,764,671</u>	<u>26,414</u>	<u>59,792</u>	<u>10,850,877</u>	<u>3,193,416</u>
Net Assets at End of Year	<u>\$ 19,259,909</u>	<u>\$ 144,713</u>	<u>\$ 59,792</u>	<u>\$ 19,464,414</u>	<u>\$ 10,850,877</u>

See accompanying notes

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSE
December 31, 2017
(with comparative totals for 2016)

	Program Services			Support Services		Totals		
	International Clinics	Education	SB Vision Care	Total Program	Management and General	Fund-Raising	2017	2016
Donated medical services	\$ 54,813,308	\$ -	\$ 50,279	\$ 54,863,587	\$ -	\$ -	\$ 54,863,587	\$ 39,198,358
Donated medical supplies	19,927,629	6,639	78,290	20,012,558	100	673	20,013,331	19,085,933
Conferences	39,297	26,198	-	65,495	-	1,538	67,033	39,840
Depreciation	119,435	1,519	7,432	128,386	8,864	5,066	142,316	97,000
Dues and subscriptions	150	-	-	150	2,156	4,497	6,803	4,700
Expeditions	81,112	74,220	63,962	219,294	-	3,820	223,114	125,581
Insurance	4,364	1,047	4,541	9,952	6,110	3,491	19,553	121,734
Maintenance	1,183	284	662	2,129	1,656	946	4,731	9,296
Miscellaneous	-	-	-	-	52,725	31,046	83,771	59,182
Outside services	36,527	17,090	3,478	57,095	105,626	132,373	295,094	140,372
Payroll taxes	23,533	5,648	13,179	42,360	32,946	18,826	94,132	70,898
Professional services	-	-	-	-	18,522	682	19,204	26,348
Promotion	-	-	-	-	-	336,803	336,803	330,480
Rent	22,562	2,362	12,698	37,622	25,939	14,506	78,067	78,089
Salaries	339,378	85,047	188,038	612,463	475,201	276,719	1,364,383	900,311
Supplies - office	21,521	4,406	14,858	40,785	28,956	17,999	87,740	49,237
Supplies - medical	111,237	277	1,126	112,640	-	-	112,640	76,200
Utilities and telephone	7,578	1,819	4,244	13,641	10,609	6,062	30,312	31,643
Travel	9,739	7,511	783	18,033	21,046	12,041	51,120	46,858
Totals - 2017	<u>\$ 75,558,553</u>	<u>\$ 234,067</u>	<u>\$ 443,570</u>	<u>\$ 76,236,190</u>	<u>\$ 790,456</u>	<u>\$ 867,088</u>	<u>\$ 77,893,734</u>	
Totals - 2016	<u>\$ 58,858,837</u>	<u>\$ -</u>	<u>\$ 398,806</u>	<u>\$ 59,257,643</u>	<u>\$ 456,007</u>	<u>\$ 778,410</u>		<u>\$ 60,492,060</u>

See accompanying notes

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017
(with comparative totals for 2016)

	2017	2016
Cash Flows from Operating Activities:		
Change in net assets	\$ 8,613,537	\$ 7,657,461
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	(142,316)	97,000
Unrealized (gain) on investments	(278,124)	(152,577)
Realized (gain) on investments	(18,148)	-
(Increase) decrease in:		
Pledges receivable	(75,825)	400
Other receivables	(19,812)	-
Inventory	(108,791)	100,525
Prepaid expenses	(25,166)	(46,048)
Increase (decrease) in:		
Accounts payable and accrued expenses	57,076	99,795
Net Cash Provided by (Used by) Operating Activities	8,002,431	7,756,556
Cash Flows From Investing Activities:		
Purchase of equipment	64,028	(130,591)
Purchase of investments	(3,693,408)	(2,105,919)
Proceeds from sale of investments	1,100,597	-
Change in cash held for long-term purposes	108,600	(2,479,018)
Net Cash Provided by (Used by) Investing Activities	(2,420,183)	(4,715,528)
Net Increase in Cash	5,582,248	3,041,028
Cash at Beginning of Year	3,739,683	698,655
Cash at Ending of Year	\$ 9,321,931	\$ 3,739,683

See accompanying notes

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2017

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.

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.

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
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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 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.

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
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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 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.

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
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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 2016, 2015, and 2014 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.
- *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;

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NOTES TO FINANCIAL STATEMENTS
December 31, 2017

- 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.

Note 3 Investments

Investments consist of the following at of December 31, 2017:

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	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Temporary cash held at brokers	\$ 97,837	\$ 97,837	\$ -
Common stock	1,238,677	1,166,761	71,916
Mutual funds	2,772,563	2,458,545	314,018
Exchange traded funds	<u>1,152,061</u>	<u>1,097,747</u>	<u>54,314</u>
	<u>\$ 5,261,138</u>	<u>\$ 4,820,890</u>	440,248
Less unrealized gain at beginning of year			<u>(162,124)</u>
Unrealized gain (loss)			<u>\$ 278,124</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 December 31, 2017. 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, exchange traded funds and common stocks: Determined by the published market value per unit at the end of the last trading day of the fiscal year.

The following table summarizes the levels in the fair value hierarchy of the organization's investments at December 31, 2017:

	<u>Level 1</u>
Temporary cash held at brokers	\$ 97,837
Common stocks	1,238,677
Mutual funds	2,772,563
Exchange traded funds	<u>1,152,061</u>
	<u>\$ 5,261,138</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

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changes in the availability of fair value inputs are not recognized. At December 31, 2017, 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. Management believes all pledges receivable are collectible and thus no reserve for uncollectible pledges receivable has been reported at December 31, 2017. The Corporation discounts long term pledges receivable to estimated net present value using a discount rate of 5%. The Corporation expects to collect all pledges as follows:

2018	\$ 56,700
2019	10,800
2020	<u>10,800</u>
Total	78,300
Less discount	<u>(2,475)</u>
	<u>\$ 75,825</u>

Note 5 Lease Obligations

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

Total rent expense for the year ended December 31, 2017 was \$77,977.

Note 6 Restricted Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Restricted for time	\$ 72,425	\$ 17,500
Equipment	36,069	8,914
Santa Barbara Vision	20,819	-
International programs	12,000	-
Development	<u>3,400</u>	<u>-</u>
	<u>\$ 144,713</u>	<u>\$ 26,414</u>

SURGICAL EYE EXPEDITIONS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Permanently Restricted Net Assets

Permanently restricted net assets consist of the following amounts:

	<u>2017</u>	<u>2016</u>
Endowment fund investments – to be held in perpetuity	<u>\$ 59,792</u>	<u>\$ 59,792</u>

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 7 Donated Medical Services

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.

2016 Donated Services

The value of \$39,198,358 includes 17,002 surgeries and 82,110 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 8 Conditional Interest in Perpetual Trust

The Corporation has been named as a conditional beneficiary in a perpetual trust. In accordance with the trust's governing documents, the trust's trustee shall consider the financial needs of the Corporation related to its work in providing eye care to the economically disadvantaged and the trustee may, but shall not be required to, provide funds from time to time to the Corporation for its acquisition of capital equipment, medical and surgical supplies.

As of December 31, 2017, the estimated fair market value of the perpetual trust was \$814,504. The total distributions received from the trust approximated \$20,900 for the year ended December 31, 2017.

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Note 9 Concentrations

At times the Corporation has deposits in excess of federal insurance limits in the accounts of financial institutions. At December 31, 2017 the Corporation held approximately \$11,790,000 in excess of the FDIC insurance limit.

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 \$54,863,586 for the year ended December 31, 2017.

Medical supplies donated to the Corporation were \$20,125,448 for the year ended December 31, 2017.

The Corporation made no interest payments for the year ended December 31, 2017.

Note 12 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 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. As a result of this interpretation, The Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent

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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 UPMIFA. In accordance with UPMIFA, 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.

Changes in Endowment

Net Assets for the Fiscal Year Ended December 31, 2017 are as follows:

	Unrestricted (Designated)	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$5,388,568</u>	<u>\$ -</u>	<u>\$ 59,792</u>	<u>\$ 5,448,360</u>
Investment return:				
Dividends and interest	85,676	-	-	85,676
Realized gains	18,148	-	-	18,148
Unrealized gains	<u>278,124</u>	<u>-</u>	<u>-</u>	<u>278,124</u>
Total investment return	381,948	-	-	381,948
Contributions	2,555,829	-	-	2,555,829
Draw	<u>(157,294)</u>	<u>-</u>	<u>-</u>	<u>(157,294)</u>
Endowment net assets, ending of year	<u>\$8,169,051</u>	<u>\$ -</u>	<u>\$59,792</u>	<u>\$ 8,228,843</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 UPMIFA requires the Corporation to retain as a fund of perpetual duration. At December 31, 2017 no such deficiencies existed.

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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.

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, 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 14 Subsequent Events

Management has evaluated events through October 26, 2018, which is the date the financial statements were available to be issued. Management has determined, with the exception of the event described below, that no subsequent event requiring disclosure or significantly impacting disclosure has occurred.

Subsequent to December 31, 2017 the Corporation entered into a lease agreement to lease office 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 the Corporation to pay monthly building operating expenses of approximately \$6,000.