

International Eye Foundation

Audited Financial Statements

June 30, 2010 and 2009

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McLean, Koehler, Sparks & Hammond

Certified Public Accountants/Business Consultants

Independent Auditor's Report

Board of Directors
International Eye Foundation
Kensington, Maryland

We have audited the accompanying statements of financial position of International Eye Foundation as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Eye Foundation as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McLean, Koehler, Sparks & Hammond

December 2, 2010

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International Eye Foundation

Statements of Financial Position

June 30,	<u>2010</u>	<u>2009</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 606,493	\$ 716,727
Contributions receivable	-	27,000
Other receivables	67,670	67,927
Prepaid expenses	880	12,625
Inventory	<u>186,883</u>	<u>68,992</u>
Total current assets	<u>861,926</u>	<u>893,271</u>
Investments	<u>1,313,050</u>	<u>1,181,580</u>
Property and Equipment:		
Land	156,163	156,163
Building	624,650	624,650
Furniture and equipment	<u>24,376</u>	<u>34,772</u>
Total	805,189	815,585
Less accumulated depreciation	<u>140,488</u>	<u>132,430</u>
Net property and equipment	<u>664,701</u>	<u>683,155</u>
Total Assets	<u>\$ 2,839,677</u>	<u>\$ 2,758,006</u>

	<u>2010</u>	<u>2009</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of long-term debt	\$ 14,545	\$ 13,591
Accounts payable	281,185	138,353
Advances	245,089	291,017
Accrued liabilities	61,040	41,450
Deferred grant revenue	<u>45,360</u>	<u>140,840</u>
Total current liabilities	647,219	625,251
Long-Term Debt		
Total liabilities	<u>288,038</u>	<u>302,584</u>
	<u>935,257</u>	<u>927,835</u>
Net Assets:		
Unrestricted	1,243,675	1,232,049
Temporarily restricted	229,110	166,487
Permanently restricted	<u>431,635</u>	<u>431,635</u>
Total net assets	<u>1,904,420</u>	<u>1,830,171</u>
Total Liabilities and Net Assets	<u>\$ 2,839,677</u>	<u>\$ 2,758,006</u>

The notes to financial statements are an integral part of these statements.

International Eye Foundation

Statements of Activities

For the year ended June 30, 2010 (with comparative totals for 2009)

	Temporarily Permanently			Total	
	Unrestricted	Restricted	Restricted	2010	2009
Revenues					
Support from the public:					
Received directly:					
Contributions	\$ 791,887	\$ -	\$ -	\$ 791,887	\$ 717,157
Grants (nongovernmental)	166,365	-	-	166,365	268,582
Donated medical supplies	3,513,339	-	-	3,513,339	2,668,600
Received indirectly - allocated by Global Impact	41,081	-	-	41,081	44,269
Grants from U.S. Government agencies	-	-	-	-	37,600
Special events fundraisers:					
Revenue	29,538	-	-	29,538	46,335
Less: direct benefit costs	(6,646)	-	-	(6,646)	(43,269)
Net support from special events fundraisers	22,892	-	-	22,892	3,066
Total support from the public	4,535,564	-	-	4,535,564	3,739,274
Other revenue:					
Investment income (loss)	71,001	103,382	-	174,383	(114,865)
Program service fees and equipment sales	1,168,691	-	-	1,168,691	934,036
Dues	-	-	-	-	1,270
Miscellaneous programs	33,321	-	-	33,321	50,471
Total other revenue	1,273,013	103,382	-	1,376,395	870,912
Net assets released from restriction - satisfaction of program restrictions and passage of time	40,759	(40,759)	-	-	-
Total revenues, gains and other support	5,849,336	62,623	-	5,911,959	4,610,186
Expenses					
Program services:					
Operational programs	1,418,148	-	-	1,418,148	1,396,943
Donated medical supplies	3,516,297	-	-	3,516,297	2,674,606
Total program services	4,934,445	-	-	4,934,445	4,071,549
Supporting services:					
Fundraising	328,776	-	-	328,776	317,726
Management and general	574,488	-	-	574,488	482,984
Total supporting services	903,264	-	-	903,264	800,710
Total expenses	5,837,710	-	-	5,837,710	4,872,259
Change in net assets	11,626	62,623	-	74,249	(262,073)
Net assets at beginning of year	1,232,049	166,487	431,635	1,830,171	2,092,244
Net assets at end of year	\$ 1,243,675	\$ 229,110	\$ 431,635	\$ 1,904,420	\$ 1,830,171

The notes to financial statements are an integral part of these statements.

International Eye Foundation

Statement of Activities

For the year ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Support from the public:				
Received directly:				
Contributions	\$ 710,057	\$ -	\$ 7,100	\$ 717,157
Grants (nongovernmental)	268,582	-	-	268,582
Donated medical supplies	2,668,600	-	-	2,668,600
Received indirectly - allocated by Global Impact	44,269	-	-	44,269
Grants from U.S. Government agencies	37,600	-	-	37,600
Special events fundraisers:				
Revenue	46,335	-	-	46,335
Less: direct benefit costs	(43,269)	-	-	(43,269)
Net support from special events fundraisers	3,066	-	-	3,066
Total support from the public	<u>3,732,174</u>	<u>-</u>	<u>7,100</u>	<u>3,739,274</u>
Other revenue:				
Investment loss	(50,605)	(64,260)	-	(114,865)
Program service fees and equipment sales	934,036	-	-	934,036
Dues	1,270	-	-	1,270
Miscellaneous programs	50,471	-	-	50,471
Total other revenue	<u>935,172</u>	<u>(64,260)</u>	<u>-</u>	<u>870,912</u>
Net assets released from restriction - satisfaction of program restrictions	116,053	(116,053)	-	-
Total revenues, gains and other support	<u>4,783,399</u>	<u>(180,313)</u>	<u>7,100</u>	<u>4,610,186</u>
Expenses				
Program services:				
Operational programs	1,396,943	-	-	1,396,943
Donated medical supplies	2,674,606	-	-	2,674,606
Total program services	<u>4,071,549</u>	<u>-</u>	<u>-</u>	<u>4,071,549</u>
Supporting services:				
Fundraising	317,726	-	-	317,726
Management and general	482,984	-	-	482,984
Total supporting services	<u>800,710</u>	<u>-</u>	<u>-</u>	<u>800,710</u>
Total expenses	<u>4,872,259</u>	<u>-</u>	<u>-</u>	<u>4,872,259</u>
Change in net assets	(88,860)	(180,313)	7,100	(262,073)
Net assets at beginning of year	1,320,909	346,800	424,535	2,092,244
Net assets at end of year	<u>\$ 1,232,049</u>	<u>\$ 166,487</u>	<u>\$ 431,635</u>	<u>\$ 1,830,171</u>

The notes to financial statements are an integral part of these statements.

International Eye Foundation

Statements of Functional Expenses

For the year ended June 30, 2010 (with comparative totals for 2009)

	<u>Program Services</u>		
	<u>Operational</u>	<u>Donated</u>	
		<u>Programs</u>	<u>Medical</u>
	<u>Supplies</u>		
Salaries	\$ 161,363	\$ -	\$ 161,363
Employee benefits	24,300	-	24,300
Other benefits	34,548	-	34,548
Consultants	-	-	-
Registration, dues and fees	2,970	-	2,970
Interest expense	-	-	-
Medical supplies	688,609	3,516,297	4,204,906
Medical equipment	331,682	-	331,682
Office supplies	2,006	-	2,006
Office equipment	-	-	-
Vehicle running costs	-	-	-
Postage	-	-	-
Printing	-	-	-
Office maintenance	-	-	-
Shipping and storage	25,585	-	25,585
Telephone	349	-	349
Travel and per diem	66,205	-	66,205
Miscellaneous	1,748	-	1,748
Training	-	-	-
Depreciation	-	-	-
Subgrants	59,168	-	59,168
Other insurance	-	-	-
Indirect allocation	19,615	-	19,615
Total expenses	<u>1,418,148</u>	<u>3,516,297</u>	<u>4,934,445</u>
Less direct expenses netted with revenue on statement of activities - direct benefit costs	-	-	-
Total expenses reported by function	<u>\$ 1,418,148</u>	<u>\$ 3,516,297</u>	<u>\$ 4,934,445</u>
Percentage of total functional expenses	<u>24.3%</u>	<u>60.1%</u>	<u>84.4%</u>

<u>Supporting Services</u>			<u>Total</u>	
<u>Fund</u>	<u>Management</u>			
<u>Raising</u>	<u>and General</u>	<u>Sub-Total</u>	<u>2010</u>	<u>2009</u>
\$ 7,754	\$ 360,953	\$ 368,707	\$ 530,071	\$ 503,919
1,126	56,429	57,555	81,855	75,100
257	15,112	15,369	49,917	22,541
46,920	-	46,920	46,920	64,618
58,363	71,303	129,666	132,636	92,906
-	20,926	20,926	20,926	21,811
-	-	-	4,204,906	3,427,096
-	-	-	331,682	109,256
32,610	4,776	37,386	39,392	36,116
-	-	-	-	8,960
-	-	-	-	3,354
128,855	3,963	132,818	132,818	112,535
53,876	2,041	55,917	55,917	56,531
-	6,496	6,496	6,496	6,781
161	898	1,059	26,644	7,773
-	4,789	4,789	5,138	5,736
2,209	21,266	23,475	89,680	143,267
3,291	5,012	8,303	10,051	7,445
-	-	-	-	2,964
-	18,454	18,454	18,454	19,494
-	-	-	59,168	185,680
-	1,685	1,685	1,685	1,645
-	(19,615)	(19,615)	-	-
335,422	574,488	909,910	5,844,356	4,915,528
(6,646)	-	(6,646)	(6,646)	(43,269)
<u>\$ 328,776</u>	<u>\$ 574,488</u>	<u>\$ 903,264</u>	<u>\$ 5,837,710</u>	<u>\$ 4,872,259</u>
5.7%	9.9%	15.6%	100.0%	

The notes to financial statements are an integral part of these statements.

International Eye Foundation

Statement of Functional Expenses

For the year ended June 30, 2009

	<u>Program Services</u>		
	<u>Operational</u>	<u>Donated</u>	
		<u>Programs</u>	<u>Medical</u>
		<u>Supplies</u>	
Salaries	\$ 165,165	\$ -	\$ 165,165
Employee benefits	23,285	-	23,285
Other benefits	14,435	-	14,435
Consultants	-	-	-
Registration, dues and fees	1,200	-	1,200
Interest expense	-	-	-
Medical supplies	752,490	2,674,606	3,427,096
Medical equipment	109,256	-	109,256
Office supplies	1,602	-	1,602
Office equipment	8,960	-	8,960
Vehicle running costs	3,354	-	3,354
Postage	56	-	56
Printing	-	-	-
Office maintenance	359	-	359
Shipping and storage	7,752	-	7,752
Telephone	440	-	440
Travel and per diem	108,419	-	108,419
Miscellaneous	2,526	-	2,526
Training	2,964	-	2,964
Depreciation	-	-	-
Subgrants	185,680	-	185,680
Other insurance	-	-	-
Indirect allocation	9,000	-	9,000
Total expenses	<u>1,396,943</u>	<u>2,674,606</u>	<u>4,071,549</u>
Less direct expenses netted with revenue on statement of activities - direct benefit costs	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses reported by function	<u>\$ 1,396,943</u>	<u>\$ 2,674,606</u>	<u>\$ 4,071,549</u>
Percentage of total functional expenses	<u>28.7%</u>	<u>54.9%</u>	<u>83.6%</u>

Supporting Services

<u>Fund</u>	<u>Management</u>		
<u>Raising</u>	<u>and General</u>	<u>Sub-Total</u>	<u>Total</u>
\$ 19,410	\$ 319,344	\$ 338,754	\$ 503,919
2,958	48,857	51,815	75,100
224	7,882	8,106	22,541
64,618	-	64,618	64,618
51,264	40,442	91,706	92,906
-	21,811	21,811	21,811
-	-	-	3,427,096
-	-	-	109,256
30,850	3,664	34,514	36,116
-	-	-	8,960
-	-	-	3,354
107,731	4,748	112,479	112,535
54,073	2,458	56,531	56,531
-	6,422	6,422	6,781
21	-	21	7,773
395	4,901	5,296	5,736
26,856	7,992	34,848	143,267
2,595	2,324	4,919	7,445
-	-	-	2,964
-	19,494	19,494	19,494
-	-	-	185,680
-	1,645	1,645	1,645
-	(9,000)	(9,000)	-
<u>360,995</u>	<u>482,984</u>	<u>843,979</u>	<u>4,915,528</u>
<u>(43,269)</u>	<u>-</u>	<u>(43,269)</u>	<u>(43,269)</u>
<u>\$ 317,726</u>	<u>\$ 482,984</u>	<u>\$ 800,710</u>	<u>\$ 4,872,259</u>
<u>6.5%</u>	<u>9.9%</u>	<u>16.4%</u>	<u>100.0%</u>

The notes to financial statements are an integral part of these statements.

International Eye Foundation

Statements of Cash Flows

For the years ended June 30,	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 74,249	\$ (262,073)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Donation of stock	-	(703)
Depreciation	18,454	19,494
Realized (gain) loss on sale of investments	(117,526)	94,730
Unrealized (appreciation) depreciation on investments	(28,294)	63,064
Decrease (increase) in:		
Contribution receivable	27,000	(12,000)
Government grant receivable	-	61,945
Other receivables	257	(46,015)
Prepaid expenses	11,745	30,684
Inventory	(117,891)	7,598
(Decrease) increase in:		
Accounts payable	142,832	(37,167)
Advances	(45,928)	291,017
Accrued liabilities	19,590	(1,609)
Deferred grant revenue	(95,480)	(200,209)
Net cash (used in) provided by operating activities	<u>(110,992)</u>	<u>8,756</u>
Cash flows from investing activities:		
Purchase of investments	(1,188,604)	(1,902,414)
Proceeds from sales of investments	<u>1,202,954</u>	<u>1,962,652</u>
Net cash provided by investing activities	<u>14,350</u>	<u>60,238</u>
Cash flows used in financing activity - payments on long-term debt	<u>(13,592)</u>	<u>(12,707)</u>
Net (decrease) increase in cash and cash equivalents	(110,234)	56,287
Cash and cash equivalents, beginning of year	<u>716,727</u>	<u>660,440</u>
Cash and cash equivalents, end of year	\$ <u>606,493</u>	\$ <u>716,727</u>
Supplemental Cash Flow Information:		
Interest paid	<u>\$ 20,926</u>	<u>\$ 21,811</u>

The notes to financial statements are an integral part of these statements.

International Eye Foundation

Notes to Financial Statements

For the years ended June 30, 2010 and 2009

1. Purpose and Activities of the Foundation

The International Eye Foundation (“Foundation”) is a nonprofit organization whose purpose is to support and assist with the prevention and cure of blindness throughout the world, and to promote peace and goodwill through its efforts. Revenue is generated primarily through contributions, private and governmental grants and sales of medical supplies by SightReach Surgical, which is a social interest program of the Foundation that serves the eye care community in the developing world.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation are prepared on the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Under accounting principles generally accepted in the United States of America, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets – Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets – Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently restricted net assets – Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Foundation’s actions.

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with original maturities of three months or less. The Foundation, at times throughout the year, has or may have had funds on deposit with a financial institution in excess of the Federal Deposit Insurance Corporation insured limits. The Foundation’s uninsured cash totals \$283,327 and \$236,889 at June 30, 2010 and 2009, respectively. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk from cash and cash equivalents.

International Eye Foundation

Notes to Financial Statements

For the years ended June 30, 2010 and 2009

2. Summary of Significant Accounting Policies (continued)

Receivables and Allowance for Doubtful Accounts

Receivables are stated at the amount management expects to collect from outstanding balances. Management believes that receivables are fully collectible and no allowance for doubtful accounts is considered necessary at June 30, 2010 and 2009.

Management believes the risk of incurring material losses related to accounts receivable is remote. All accounts receivable are unsecured.

Investments

Investments in equity and debt securities and mutual funds are recorded at fair market value based on quoted market prices. The effects of changes in the fair market value of these investments are reflected in the Statements of Activities in "investment income (loss)" as "unrealized appreciation (depreciation) on investments." "Realized gains and losses", determined using the cost basis of the specific securities sold, are also included in "investment income (loss)."

Fair Value Measurements

The Foundation has adopted accounting standards set forth under accounting principles generally accepted in the United States of America related to fair value measurement. Using these standards, the Foundation has characterized its investments in securities based on the priority of inputs used to value these assets, based on a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets fall within three different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the assets. Investments recorded in the financial statements are categorized based on the inputs to valuation techniques as follows:

Level 1 - These are assets where values are based on unadjusted quoted prices for identical assets in an active market that the Foundation has the ability to access. All investments currently held by the Foundation are considered to be level 1.

Level 2 - These are assets where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the assets. The Foundation currently has no level 2 assets.

Level 3 - These are assets where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the assets. The Foundation currently has no level 3 assets.

International Eye Foundation

Notes to Financial Statements

For the years ended June 30, 2010 and 2009

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Estimated fair value amounts have been determined using available market information and the valuation methodologies described. The carrying amounts of cash equivalents and current receivables approximate fair value due to the short-term nature of these instruments. Fair value for investments is determined by reference to quoted market prices.

Inventory

Inventory consists of medical supplies that have been purchased by the Foundation to be sold overseas and medical supplies that have been donated for use in overseas programs. Purchased inventory is valued at its average cost. Donated inventory is valued at its fair market value at the date of donation.

Property and Equipment and Depreciation

Property and equipment is recorded at cost if purchased, or at fair value if donated. The Foundation capitalizes property and equipment purchases over \$1,000 with an estimated useful life greater than one year. Depreciation of property and equipment is provided using the straight-line method over the assets' estimated useful lives ranging from ten to thirty-nine years. Depreciation expense was \$18,454 and \$19,494 for the years ended June 30, 2010 and 2009, respectively.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions are recognized when an unconditional promise to give is received. Conditional promises to give are recognized in the period the condition is satisfied. Contributions that are temporarily restricted are recorded as unrestricted if the restriction is satisfied in the same year as the contribution is received.

Grants

Grants are conditioned on spending the funds in accordance with the terms of the grant. Funds not spent are generally refundable to the granting agency. The Foundation recognizes revenue from grants as the related expenses are incurred. Funds expended in excess of collections are recorded as "grant receivable." Funds received but not spent are recorded as "deferred revenue" on the Statements of Financial Position.

International Eye Foundation

Notes to Financial Statements

For the years ended June 30, 2010 and 2009

2. Summary of Significant Accounting Policies (continued)

Shipping and Handling Costs

Costs incurred for shipping and handling of goods sold to customers are included with “shipping and storage” on the Statements of Functional Expenses. Shipping and handling costs totaled \$26,644 and \$7,773 for the years ended June 30, 2010 and 2009, respectively.

SightReach Surgical Sales

The Foundation sells new, high-quality ophthalmic medical and surgical supplies to overseas organizations at reduced rates in order to make eye care and surgery affordable to those in need. Revenue from SightReach Surgical sales is recorded when the supplies are shipped.

Income Taxes

The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Foundation qualify for a charitable contribution deduction. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Foundation had no net unrelated business income for the years ended June 30, 2010 and 2009.

The Foundation adopted the new “accounting for uncertainty in income taxes” guidance on July 1, 2009 with no cumulative effect adjustment required. The Foundation believes that its income tax filing positions and deductions will be sustained upon examination and, accordingly, has not recorded any reserves, or related accruals for interest and penalties, at June 30, 2010 and 2009 for uncertain income tax positions. The Foundation continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Foundation has adopted a policy under which, if required to be recognized in the future, it will classify interest related to the underpayment of income taxes as a component of interest expense, and it will classify any related penalties in management and general expenses in the Statements of Activities. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2006.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Foreign Currency Translation

Revenues and expenses of the Foundation’s foreign operations are translated at the applicable exchange rates on the transaction dates for the years ended June 30, 2010 and 2009.

International Eye Foundation

Notes to Financial Statements

For the years ended June 30, 2010 and 2009

2. Summary of Significant Accounting Policies (continued)

Financial Risk

The Foundation invests in a professionally managed portfolio that contains equities, equity and bond mutual funds and money market funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs

Advertising costs are expensed when incurred. Advertising expenses totaled \$1,025 and \$169 for the years ended June 30, 2010 and 2009, respectively.

Reclassifications

Certain amounts in the prior year have been reclassified to conform to the current year's financial statement presentation. Program service fees of \$45,305 have been reclassified from "grants from U.S. Government agencies" to "program service fees and equipment sales" for the year ended June 30, 2009. Sales and cost of sales of \$648,634 were recorded to "equipment sales" and "medical supplies" expense for the year ended June 30, 2009 for the procurement of medical equipment and supplies under the Himalayan Cataract Project agreement. Income and expenses for the Tanzania trip of \$50,156 and \$46,994, respectively, have been reclassified from special events to miscellaneous program income and related expenses for the year ended June 30, 2009.

Subsequent Events

Subsequent events were evaluated through December 2, 2010, the date the financial statements were available to be issued. Subsequent to June 30, 2010, the Foundation refinanced its outstanding mortgage note payable of \$302,583 - see Note 6. The new note, totaling \$360,000, bears interest at a rate of 5.75% and requires monthly principal and interest payments of \$3,010 through October 2025.

International Eye Foundation

Notes to Financial Statements

For the years ended June 30, 2010 and 2009

2 Summary of Significant Accounting Policies (continued)

Subsequent Events (continued)

Scheduled annual principal payments under the new mortgage note are as follows:

<u>For the Years Ending June 30,</u>	<u>Amount</u>
2011	\$ 11,601
2012	16,265
2013	17,225
2014	18,242
2015	19,319
Thereafter	<u>277,348</u>
Total	<u>\$ 360,000</u>

3. Investments

Investments consist of the following at June 30:

<u>2010</u>	<u>Cost</u>	<u>Net Unrealized Appreciation (Depreciation)</u>	<u>Fair Value</u>
Equities	\$ 512,814	\$ (2,191)	\$ 510,623
Money market funds	32,251	-	32,251
Mutual funds	<u>716,711</u>	<u>53,465</u>	<u>770,176</u>
Total	<u>\$ 1,261,776</u>	<u>\$ 51,274</u>	<u>\$ 1,313,050</u>

<u>2009</u>	<u>Cost</u>	<u>Net Unrealized Appreciation (Depreciation)</u>	<u>Fair Value</u>
Equities	\$ 471,833	\$ 29,109	\$ 500,942
Money market funds	19,402	-	19,402
Mutual funds	<u>667,365</u>	<u>(6,129)</u>	<u>661,236</u>
Total	<u>\$ 1,158,600</u>	<u>\$ 22,980</u>	<u>\$ 1,181,580</u>

International Eye Foundation

Notes to Financial Statements

For the years ended June 30, 2010 and 2009

3. Investments (continued)

The following schedules summarize the “investment income (loss)” and its classification in the Statements of Activities for the years ended June 30:

<u>2010</u>	Temporarily		<u>Total</u>
	<u>Unrestricted</u>	<u>Restricted</u>	
Interest, dividends and capital gains	\$ 14,273	\$ 14,290	\$ 28,563
Unrealized appreciation on investments	11,007	17,287	28,294
Realized gain on sale of investments	<u>45,721</u>	<u>71,805</u>	<u>117,526</u>
Total	<u>\$ 71,001</u>	<u>\$ 103,382</u>	<u>\$ 174,383</u>

<u>2009</u>	Temporarily		<u>Total</u>
	<u>Unrestricted</u>	<u>Restricted</u>	
Interest, dividends and capital gains	\$ 23,710	\$ 19,219	\$ 42,929
Unrealized (depreciation) appreciation on investments	(107,342)	44,278	(63,064)
Realized gain (loss) on sale of investments	<u>33,027</u>	<u>(127,757)</u>	<u>(94,730)</u>
Total	<u>\$ (50,605)</u>	<u>\$ (64,260)</u>	<u>\$ (114,865)</u>

Investment fees totaling \$17,903 and \$13,728 are included with “registration, dues and fees” on the Statements of Functional Expenses for the years ended June 30, 2010 and 2009, respectively.

An investment could be considered impaired if its fair value is less than its cost basis. Management feels that all of the investment portfolio unrealized losses are temporary, and no significant losses other than those already recorded will be recognized on these investments.

International Eye Foundation

Notes to Financial Statements

For the years ended June 30, 2010 and 2009

3. Investments (continued)

The following schedule summarizes investments in the portfolio that were in a loss position at June 30, 2010.

	<u>Less than 12 months</u>		<u>Greater than 12 months</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Mutual funds	\$ 122,882	\$ (1,933)	\$ -	\$ -	\$ 122,882	\$ (1,933)
Equities	<u>225,894</u>	<u>(35,151)</u>	<u>27,622</u>	<u>(6,783)</u>	<u>253,516</u>	<u>(41,934)</u>
	<u>\$ 348,776</u>	<u>\$ (37,084)</u>	<u>\$ 27,622</u>	<u>\$ (6,783)</u>	<u>\$ 376,398</u>	<u>\$ (43,867)</u>

The following schedule summarizes investments in the portfolio that were in a loss position at June 30, 2009.

	<u>Less than 12 months</u>		<u>Greater than 12 months</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Mutual funds	\$ 391,350	\$ (32,253)	\$ -	\$ -	\$ 391,350	\$ (32,253)
Equities	<u>142,432</u>	<u>(17,653)</u>	<u>8,640</u>	<u>(3,552)</u>	<u>151,072</u>	<u>(21,205)</u>
	<u>\$ 533,782</u>	<u>\$ (49,906)</u>	<u>\$ 8,640</u>	<u>\$ (3,552)</u>	<u>\$ 542,422</u>	<u>\$ (53,458)</u>

4. Contributions Receivable

Contributions receivable totaled \$27,000 at June 30, 2009 and consisted of bequests receivable that were due in less than one year. These amounts were collected during the year ended June 30, 2010. There are no contributions receivable at June 30, 2010.

International Eye Foundation

Notes to Financial Statements

For the years ended June 30, 2010 and 2009

5. Fair Value Measurements

Fair values of assets measured on a recurring basis are as follows at June 30:

<u>2010</u>	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>
Investments	<u>\$ 1,313,050</u>

<u>2009</u>	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>
Investments	<u>\$ 1,181,580</u>

6. Long-Term Debt

During 2002, the Foundation obtained a mortgage note payable for \$400,000 to purchase the building they now occupy. This note was refinanced during 2004. The note bears interest on the outstanding principal balance at a rate of 6.75 percent per year. The note requires monthly principal and interest payments of \$2,877 and will mature on May 30, 2014. The note is secured by a deed of trust, assignment of leases and rents, and a security agreement on the Foundation's building. The balance of this note was \$302,583 and \$316,175 at June 30, 2010 and 2009, respectively. Interest expense totaled \$20,926 and \$21,811 for the years ended June 30, 2010 and 2009, respectively.

Scheduled annual principal payments related to the mortgage note are as follows:

<u>For the Years Ending June 30,</u>	<u>Amount</u>
2011	\$ 14,545
2012	15,558
2013	16,633
2014	<u>255,847</u>
Total	<u>\$ 302,583</u>

International Eye Foundation

Notes to Financial Statements

For the years ended June 30, 2010 and 2009

7. Endowment Funds

The Foundation's Board of Directors has designated net assets and investments, titled the Dr. Harry King Memorial Fund, to ensure financial stability and enhance future growth for the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is classified as unrestricted net assets in the Statements of Financial Position.

During 2009, the State of Maryland enacted UPMIFA (Uniform Prudent Management of Institutional Funds Act of 2006), the provisions of which apply to organizations with endowment funds existing on or established after the date of enactment. The Foundation also adopted accounting standards generally accepted in the United States of America related to: "*Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*" during the year ended June 30, 2009. Based on the Foundation's interpretation of UPMIFA, management has reviewed all of the Foundation's permanently restricted net assets and has determined that they meet the definition of endowment funds. In addition, the Foundation's practice of classifying the earnings from these funds as temporarily restricted net assets until appropriated for expenditure is consistent with the requirements under these standards. Therefore, no reclassification of net assets was required as a result of implementing these standards.

The Foundation's endowment consists of three funds established for different purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, 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 Foundation's Board of Directors has interpreted the State of Maryland's Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and 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 Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Foundation, and (7) the Foundation's investment policies.

International Eye Foundation

Notes to Financial Statements

For the years ended June 30, 2010 and 2009

7. Endowment Funds (continued)

Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted an investment policy, approved by the Board of Directors, for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of these endowment assets over the long-term. Endowment assets are invested in a well diversified asset mix, which includes equity and fixed income securities that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4%, while growing the fund if possible. Accordingly, the Foundation expects its endowment assets, over time, to achieve a total annual return of 3% to 5%, net of fees and expenses, with minimal downside risk over the long term. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Foundation has established a spending policy that considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, two of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The policy allows for distribution of 4% of the moving average market value of the endowment funds as of June 30th for the current and prior two fiscal years. In establishing this policy, the Foundation considered the long-term expected investment return on its endowment. Thus, over the long term, the Foundation expects the current spending policy to allow its endowment fund to grow modestly while generating a predictable stream of spendable income.

Endowment net asset composition by type of fund as of June 30 is as follows:

2010

	Board-designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 229,110	\$ 431,635	\$ 660,745
Board-designated endowment funds	475,330	-	-	475,330
Total funds	<u>\$ 475,330</u>	<u>\$ 229,110</u>	<u>\$ 431,635</u>	<u>\$ 1,136,075</u>

2009

	Board-designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 138,814	\$ 431,635	\$ 570,449
Board-designated endowment funds	440,270	-	-	440,270
Total funds	<u>\$ 440,270</u>	<u>\$ 138,814</u>	<u>\$ 431,635</u>	<u>\$ 1,010,719</u>

International Eye Foundation

Notes to Financial Statements

For the years ended June 30, 2010 and 2009

7. Endowment Funds (continued)

Changes in endowment net assets for the years ended June 30, 2010 and 2009 are as follows:

	Board-designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, July 1, 2008	\$ 531,772	\$ 270,268	\$ 424,535	\$ 1,226,575
Investment return (loss):				
Net depreciation (realized and unrealized)	(69,893)	(33,634)	(51,382)	(154,909)
Investment income	<u>12,311</u>	<u>7,705</u>	<u>11,611</u>	<u>31,627</u>
Total investment loss	(57,582)	(25,929)	(39,771)	(123,282)
Transfer of net assets	(5,000)	(43,188)	44,963	(3,225)
Contributions to the endowment	-	-	7,100	7,100
Appropriation of endowment assets for expenditure	(23,669)	(59,052)	-	(82,721)
Investment fees	<u>(5,251)</u>	<u>(3,285)</u>	<u>(5,192)</u>	<u>(13,728)</u>
Endowment net assets, June 30, 2009	<u>440,270</u>	<u>138,814</u>	<u>431,635</u>	<u>1,010,719</u>
Investment return:				
Net appreciation (realized and unrealized)	52,912	21,680	71,228	145,820
Investment income	<u>8,487</u>	<u>3,477</u>	<u>11,425</u>	<u>23,389</u>
Total investment return	61,399	25,157	82,653	169,209
Transfer of net assets	-	69,949	(73,908)	(3,959)
Appropriation of endowment assets for expenditure	(19,843)	(2,148)	-	(21,991)
Investment fees	<u>(6,496)</u>	<u>(2,662)</u>	<u>(8,745)</u>	<u>(17,903)</u>
Endowment net assets, June 30, 2010	<u>\$ 475,330</u>	<u>\$ 229,110</u>	<u>\$ 431,635</u>	<u>\$ 1,136,075</u>

International Eye Foundation

Notes to Financial Statements

For the years ended June 30, 2010 and 2009

7. Net Assets

Net assets consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Unrestricted net assets:		
General (undesignated)	\$ 768,345	\$ 791,779
Board designated - Dr. Harry King Memorial Fund	<u>475,330</u>	<u>440,270</u>
	<u>1,243,675</u>	<u>1,232,049</u>
Temporarily restricted net assets:		
Carrigan - Latin America Program	229,110	138,814
Support for training and sustainability of two eye hospitals in Egypt	<u>-</u>	<u>27,673</u>
	<u>229,110</u>	<u>166,487</u>
Permanently restricted net assets:		
Beach Fund	32,100	32,100
Carrigan - Latin America Program	<u>399,535</u>	<u>399,535</u>
	<u>431,635</u>	<u>431,635</u>
Total	<u>\$ 1,904,420</u>	<u>\$ 1,830,171</u>

The Dr. Harry King Memorial Fund consists of board designated investments that may be spent on any Board approved expenditure, including operating expenses.

The permanently restricted net assets consist of investments to be held indefinitely. The investment earnings from the Beach Fund are unrestricted. The investment earnings from the Carrigan Endowment must be used to support the Latin America programs for sight restoration.

International Eye Foundation

Notes to Financial Statements

For the years ended June 30, 2010 and 2009

9. Special Events Fundraisers

The Foundation conducts fundraising activities, including special social and educational events in which the attendees receive a direct benefit. Revenue received in advance of the event is recorded as deferred revenue. The revenue and expenses from special events consist of the following for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Revenue	\$ 29,538	\$ 46,335
Less direct benefit costs	<u>(6,646)</u>	<u>(43,269)</u>
Net support from special event fundraiser	<u>\$ 22,892</u>	<u>\$ 3,066</u>

10. Commitments

The Foundation has entered into an agreement to receive professional fundraising consulting services with regards to its house and prospect direct mail campaigns. The monthly fee for these membership development services is \$3,000. The Foundation has paid additional fees for creative services related to the redesigning and editing of new acquisition and renewal direct mail packages under this agreement. The term of the agreement extends through June 30, 2012; however, the Foundation can terminate the contract at any time with 60 days written notice. Fundraising consulting expenses totaled \$46,920 and \$64,618 for the years ended June 30, 2010 and 2009, respectively, and are included with "consultants" on the Statements of Functional Expenses.

11. Donated Goods and Services

The Foundation receives donated medical supplies that are used in various eye care programs. The donated supplies are recorded as inventory and revenue at their estimated market value on the date of donation. When the supplies are shipped to the program locations, their recorded market value is relieved from inventory and included in "donated medical supplies" expense on the Statements of Activities. Donated medical supplies received for the years ended June 30, 2010 and 2009 were \$3,513,339 and \$2,668,600, respectively. Donated medical supplies used in program activities for the years ended June 30, 2010 and 2009 were \$3,516,297 and \$2,674,605, respectively.

The Foundation also received donated legal services of \$30,000 during the year ended June 30, 2010. Donated legal services are included with "contributions" on the Statements of Activities and "registration, dues and fees" on the Statements of Functional Expenses for the year ended June 30, 2010. There were no donated legal services for 2009.

International Eye Foundation

Notes to Financial Statements

For the years ended June 30, 2010 and 2009

12. Retirement Plan

The Foundation sponsors a group annuity retirement plan to provide benefit payments for employees who have met certain eligibility requirements as described in the Plan. The Plan is funded entirely by employer contributions. The Foundation contributes 4% of eligible employees' salaries to the Plan. Retirement plan expense totaled \$45,996 and \$17,652 for the years ended June 30, 2010 and 2009, respectively. The Foundation also offers a tax deferred annuity plan (TDA) to which employees can make additional contributions. The Foundation does not contribute to the TDA Plan.

Supplemental Information

International Eye Foundation

Schedule of Program Services' Expenses

For the year ended June 30, 2010

	Location			Total
	Latin America	Africa	Other	
Salaries	\$ 29,782	\$ 23,698	\$ 107,883	\$ 161,363
Employee benefits	4,469	2,888	16,943	24,300
Other benefits	946	30,445	3,157	34,548
Registration, dues and fees	310	-	2,660	2,970
Medical supplies	15,070	3,510,000	679,836	4,204,906
Medical equipment	-	-	331,682	331,682
Office supplies	-	238	1,768	2,006
Shipping and storage	102	-	25,483	25,585
Telephone	-	-	349	349
Travel and per diem	6,898	38,195	21,112	66,205
Miscellaneous	5	627	1,116	1,748
Subgrants	56,732	2,436	-	59,168
Indirect allocation	4,020	10,389	5,206	19,615
	<u>\$ 118,334</u>	<u>\$ 3,618,916</u>	<u>\$1,197,195</u>	<u>\$ 4,934,445</u>

International Eye Foundation

Schedule of Program Services' Expenses

For the year ended June 30, 2009

	<u>Location</u>			<u>Total</u>
	<u>Latin America</u>	<u>Africa</u>	<u>Other</u>	
Salaries	\$ 34,490	\$ 36,771	\$ 93,904	\$ 165,165
Employee benefits	5,386	3,554	14,345	23,285
Other benefits	74	13,017	1,344	14,435
Registration, dues and fees	1,200	-	-	1,200
Medical supplies	17,747	2,664,794	744,555	3,427,096
Medical equipment	-	-	109,256	109,256
Office supplies	240	421	941	1,602
Office equipment	8,960	-	-	8,960
Vehicle running costs	-	3,354	-	3,354
Postage	-	56	-	56
Office maintenance	-	359	-	359
Shipping and storage	1,169	-	6,583	7,752
Telephone	80	261	99	440
Travel and per diem	39,303	57,762	11,354	108,419
Miscellaneous	-	1,393	1,133	2,526
Training	2,814	-	150	2,964
Subgrants	95,250	38,930	51,500	185,680
Indirect allocation	<u>7,367</u>	<u>(262)</u>	<u>1,895</u>	<u>9,000</u>
	<u>\$ 214,080</u>	<u>\$ 2,820,410</u>	<u>\$1,037,059</u>	<u>\$ 4,071,549</u>