SEVA FOUNDATION

FINANCIAL STATEMENTS

For the year ended June 30, 2013
(With summarized financial information for the year ended June 30, 2012)

SEVA FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Seva Foundation:

We have audited the accompanying financial statements of Seva Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, 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 from 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 auditors' 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 auditors consider 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 Seva Foundation as of June 30, 2013, 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 Seva Foundation's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Burr Pilger Mayer, Inc.

San Francisco, California
October 23, 2013

SEVA FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2013
(with summarized financial information for June 30, 2012)

	2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2012
ASSETS					
Cash and cash equivalents	$ 1,163,484	$ 1,053,995	$ -	$ 2,217,479	$ 2,222,911
Inventory	11,527	-	-	11,527	5,370
Prepaid expenses	78,588	-	-	78,588	60,546
Receivables, net:					
Accounts	1,269	-	-	1,269	9,961
Grants	4,888	-	-	4,888	2,091
Pledges	66,340	2,640,000	-	2,706,340	260,127
Grants advance	405,766	-	-	405,766	316,460
Investments	809,478	408	23,000	832,886	685,815
Equipment, furniture, and fixtures, net	-	-	-	-	1,451
Deposits	2,800	-	-	2,800	-
Total assets	$ 2,544,140	$ 3,694,403	$ 23,000	$ 6,261,543	$ 3,564,732
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued expenses	$ 21,185	$ -	$ -	$ 21,185	$ 33,662
Wages payable	157,174	-	-	157,174	129,060
Grants payable	366,722	-	-	366,722	118,074
Deferred revenue	579,975	-	-	579,975	594,358
Due to other agencies	720,925	-	-	720,925	1,092,837
Total liabilities	1,845,981	-	-	1,845,981	1,967,991
Net assets:					
Unrestricted	698,159	-	-	698,159	921,010
Temporarily restricted	-	3,694,403	-	3,694,403	652,731
Permanently restricted	-	-	23,000	23,000	23,000
Total net assets	698,159	3,694,403	23,000	4,415,562	1,596,741
Total liabilities and net assets	$ 2,544,140	$ 3,694,403	$ 23,000	$ 6,261,543	$ 3,564,732

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

SEVA FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

for the year ended June 30, 2013
(with summarized financial information for the year ended June 30, 2012)

	2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2012
Revenue, gains, and other support:					
Contributions	$ 1,076,241	$ 1,166,869	$ -	$ 2,243,110	$ 1,997,233
Contributions - in-kind	470,836	1,381,092	-	1,851,928	876,172
Grants:					
Foundations and corporations	1,678,736	3,749,820	-	5,428,556	767,504
Government	26,275	80,000	-	106,275	142,635
Realized and unrealized gain on investments	35,112	-	-	35,112	7,509
Special events, net of direct expenses of $88,427	(3,522)	44,478	-	40,956	25,109
Interest income	88	-	-	88	55
Dividend income	11,552	408	-	11,960	12,103
Other income	67,106	-	-	67,106	58,778
Net assets released from restrictions	3,380,995	(3,380,995)	-	-	-
Total revenues, gains, and other support	6,743,419	3,041,672	-	9,785,091	3,887,098
Expenses:					
Program services	6,101,088	-	-	6,101,088	3,679,667
Supporting services:					
Management and general	390,038	-	-	390,038	350,309
Fundraising	475,144	-	-	475,144	414,782
Total expenses	6,966,270	-	-	6,966,270	4,444,758
Change in net assets	(222,851)	3,041,672	-	2,818,821	(557,660)
Net assets, beginning of year	921,010	652,731	23,000	1,596,741	2,154,401
Net assets, end of year	$ 698,159	$ 3,694,403	$ 23,000	$ 4,415,562	$ 1,596,741

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

SEVA FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended June 30, 2013
(with summarized financial information for the year ended June 30, 2012)

	Supporting Services		Programs										
	Management and Administrative	Fundraising	International Development Education	Pakistan	Aids Eye Initiative	Center for Innovation in Eye Care	Nepal	India	Bangladesh	Africa	Cambodia	Guatemala Sight	Tibet
Expenditures:													
In-kind	$ -	$ 2,500	$ 468,336	$ -	$ 17,923	$ 6,240	$ 1,008,834	$ 174,258	$ 29,405	$ -	$ 23,763	$ 14,120	$ 86,833
Grants	-	-	-	138,480	-	169,093	80,343	665,005	99,366	195,836	70,127	178,874	35,719
Salaries	170,061	179,654	283,019	1,137	1,137	126,980	80,751	6,823	3,975	1,137	62,684	1,137	88,259
Payroll - benefits	55,155	40,884	57,565	251	251	31,219	12,748	1,503	605	985	12,393	251	7,847
Professional services	60,737	6,000	-	-	-	-	-	-	-	-	-	-	-
Program action group expenses	-	-	-	-	-	117	-	-	-	-	-	-	-
Office supplies	3,952	1,930	-	-	-	1,026	-	-	-	-	-	-	-
Telephone	8,948	-	-	-	-	2,050	-	-	-	-	-	-	-
Advertising - recruitment	145	145	6,033	-	-	8,333	-	-	-	-	-	-	-
Postage and delivery	1,968	10,233	-	-	-	163	-	-	-	-	-	-	98
Office rent and utilities	34,198	39,940	-	-	-	13,319	-	-	-	-	-	-	-
Insurance	3,071	3,829	-	-	-	1,581	-	-	-	-	-	-	-
Maintenance agreements	-	6,718	-	-	-	-	-	-	-	-	-	-	-
Equipment leases	3,425	2,298	-	-	-	980	-	-	-	-	-	-	-
Repair and maintenance	1,284	-	-	-	-	-	-	-	-	-	-	-	-
Dues and subscriptions	6,956	1,166	-	-	-	11,670	-	-	-	-	15,296	-	-
Printing and copying	375	654	97	-	-	-	-	-	-	-	-	-	-
Donor cultivation	-	20,666	40	-	-	-	-	-	-	-	-	-	-
Publications	-	-	19,967	-	-	-	-	-	-	-	-	-	-
Gifts of service	-	35,746	142,987	-	-	-	-	-	-	-	-	-	-
Year end appeal	-	53,028	-	-	-	-	-	-	-	-	-	-	-
Program travel	3,068	8,100	3,279	703	3,566	68,055	7,477	-	-	-	9,798	908	17,446
Board expense	16,650	-	-	-	-	-	-	-	-	-	-	-	-
Fees/dues/licenses	522	39,055	-	-	-	180	-	-	-	-	-	-	-
Bank and payroll charges	9,104	20,820	-	-	-	-	-	-	-	-	-	-	-
Depreciation expense	1,452	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	636	54	-	20	-	348	-	-	-	-	-	-	-
Staff development	107	756	-	-	-	51	-	-	-	-	-	-	-
Program equipment	-	-	-	-	11,072	1,984	115,953	109	-	-	23,879	-	76,622
Program officer/field expenses	-	-	-	-	-	218	9,978	-	-	-	7,755	-	6,000
Program training	-	-	-	-	-	-	53,092	-	-	-	8,500	-	10,688
Program evaluation/monitoring	-	-	-	-	-	-	6,000	-	-	2,000	3,042	-	16,425
Community outreach	-	-	-	-	-	-	143,248	-	-	-	32,524	-	65,675
Computer parts and supplies	8,224	279	1,922	-	-	-	-	-	-	-	-	-	-
Program consultants	-	-	-	-	-	94,753	(469)	-	-	-	4,968	-	-
Eye camps	-	-	-	-	-	-	23,900	-	-	-	12,000	-	64,976
Sales tax	-	689	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	$ 390,038	$ 475,144	$ 983,245	$ 140,591	$ 33,949	$ 538,360	$ 1,541,855	$ 847,698	$ 133,351	$ 199,958	$ 286,729	$ 195,290	$ 476,588

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

SEVA FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES, Continued

for the year ended June 30, 2013
(with summarized financial information for the year ended June 30, 2012)

	Programs								
	Tibet - New Zealand	Sight - General	Egypt	Paraguay	Helen Keller International	Native American Programs	Program Total	2013 Total	2012 Total
Expenditures:									
In-kind	$ -	$ 18,666	$ -	$ -	$ -	$ 1,050	$ 1,849,428	$ 1,851,928	$ 876,172
Grants	-	1,882	73,156	39,000	45,000	60,000	1,851,881	1,851,881	647,799
Salaries	-	144,233	-	-	-	61,193	862,465	1,212,180	1,240,250
Payroll - benefits	-	28,892	-	-	-	11,437	165,947	261,986	245,977
Professional services	-	-	-	-	-	-	-	66,737	74,438
Program action group expenses	-	-	-	-	-	53	170	170	1,061
Office supplies	-	1,160	-	-	-	815	3,001	8,883	4,757
Telephone	-	479	-	-	-	19	2,548	11,496	15,650
Advertising - recruitment	-	-	-	-	-	-	14,366	14,656	643
Postage and delivery	-	209	-	-	-	22	492	12,693	9,380
Office rent and utilities	-	15,992	-	-	-	16,147	45,458	119,596	103,013
Insurance	-	2,314	-	-	-	1,490	5,385	12,285	11,573
Maintenance agreements	-	-	-	-	-	-	-	6,718	6,415
Equipment leases	-	1,394	-	-	-	980	3,354	9,077	8,262
Repair and maintenance	-	-	-	-	-	-	-	1,284	275
Dues and subscriptions	-	3,195	-	-	-	-	30,161	38,283	27,451
Printing and copying	-	-	-	-	-	-	97	1,126	1,435
Donor cultivation	-	-	-	-	-	-	40	20,706	24,588
Publications	-	-	-	-	-	-	19,967	19,967	4,452
Gifts of service	-	102,411	-	-	-	18,513	263,911	299,657	243,871
Year end appeal	-	-	-	-	-	-	-	53,028	53,670
Program travel	-	25,713	-	-	-	2,350	139,295	150,463	92,900
Board expense	-	-	-	-	-	-	-	16,650	14,485
Fees/dues/licenses	-	680	-	-	-	-	860	40,437	27,249
Bank and payroll charges	-	-	-	-	-	-	-	29,924	40,002
Depreciation expense	-	-	-	-	-	-	-	1,452	4,283
Miscellaneous	-	-	-	-	-	32	400	1,090	690
Staff development	-	-	-	-	-	-	51	914	1,175
Program equipment	-	-	-	-	-	236	229,855	229,855	126,679
Program officer/field expenses	-	183	-	-	-	139	24,273	24,273	27,868
Program training	2,875	750	-	-	-	710	76,615	76,615	109,665
Program evaluation/monitoring	-	429	-	-	-	3,595	31,491	31,491	20,608
Community outreach	-	-	-	-	-	1,066	242,513	242,513	189,606
Computer parts and supplies	-	-	-	-	-	635	2,557	11,060	5,260
Program consultants	-	31,250	-	-	-	3,129	133,631	133,631	52,830
Eye camps	-	-	-	-	-	-	100,876	100,876	129,607
Sales tax	-	-	-	-	-	-	-	689	719
Total expenditures	$ 2,875	$ 379,832	$ 73,156	$ 39,000	$ 45,000	$ 183,611	$ 6,101,088	$ 6,966,270	$ 4,444,758

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

SEVA FOUNDATION

STATEMENT OF CASH FLOWS

for the year ended June 30, 2013
(with summarized financial information for the year ended June 30, 2012)

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 2,818,821	$ (557,660)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,451	4,283
Change in allowance for doubtful accounts	(50)	(350)
Realized and unrealized gain on investments	(35,112)	(7,509)
Donated securities	(14,818)	(27,081)
Uncollectible pledges	7,121	-
Changes in operating assets and liabilities:		
Inventory	(6,157)	(1,492)
Prepaid expenses	(18,042)	(11,416)
Receivables:		
Accounts	8,742	(867)
Pledges	(2,453,334)	228,743
Grants	(2,797)	(2,091)
Grants advance	(89,306)	(245,851)
Deposits	(2,800)	3,300
Accounts payable and accrued expenses	(12,477)	(17,631)
Wages payable	28,114	8,901
Grants payable	248,648	17,595
Deferred revenue	(14,383)	594,358
Due to other agencies	(371,912)	4,048
Net cash provided by (used in) operating activities	91,709	(10,720)
Cash flows from investing activities:		
Proceeds from sales of investments	57,118	27,081
Purchase of investments	(154,259)	(12,103)
Net cash (used in) provided by investing activities	(97,141)	14,978
Net (decrease) increase in cash and cash equivalents	(5,432)	4,258
Cash and cash equivalents, beginning of year	2,222,911	2,218,653
Cash and cash equivalents, end of year	$ 2,217,479	$ 2,222,911
Supplemental noncash investing and financing activities:		
Donated securities	$ 14,818	$ 27,081

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

1. Organization and Summary of Significant Accounting Policies

Nature of Organization

Seva Foundation ("Seva" or "the Foundation") is a California nonprofit corporation. Since 1978, Seva has been a leading innovator in building partnerships that deliver cost-effective, culturally-informed health services for some of the world's most vulnerable, including women, children, and indigenous peoples. Seva finds and strengthens dedicated, capable partners. Seva's goal is project sustainability and self-reliance so our partners continue delivering services long after our involvement has ended. In Asia, Africa, and Latin America, Seva helps end preventable blindness and in the United States, Seva's American Indian programs support American Indians in rebuilding healthy communities. Seva is transitioning its American Indian program into vision care. Seva also develops and disseminates educational /informational materials and literature to a broader audience as part of its mission to educate the public about the worldwide need for sight restoration and blindness prevention programs.

Revenue Recognition

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Foundation's significant revenue streams are derived from individual and in-kind contributions, foundation grants, federal grants, and special event revenue.

Contributions

Contributions, including unconditional promises to give, from individuals, foundations, corporations, governments and amounts collected as part of special events, are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Unconditional promises to give, including contributions from individuals and foundation grants that are expected to be collected within one year are recorded at their net realizable values. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time the conditions are substantially met.

Contributions - In-kind

Materials

Donations of materials are recorded as support at their fair value on the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated materials to a specific purpose. Materials donated with explicit restrictions regarding their use are reported as restricted support.

Continued

1. **Organization and Summary of Significant Accounting Policies**, continued

Revenue Recognition, continued

Contributions - In-kind, continued

Services

Donated services are recognized if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The Foundation received donated services and materials from consultants, physicians and other medical personnel, and advertising services totaling $1,851,928 for the year ended June 30, 2013.

Grants

Foundations and Corporations

The Foundation normally receives grants from foundations and corporations as contributions which are recognized as stated above. The Foundation also receives grants where it earns revenue based on performance. The Foundation has established a strategic alliance with an outside organization where revenue is recognized as eye care services are performed. As of June 30, 2013, it is estimated that this alliance will provide cash payments of approximately $1.2 million to the Foundation during the 2013–2014 fiscal year.

Government

Government grant revenue is recognized as expenses are incurred under a cost-reimbursable sub-agreement. In some instances, foreign governments will provide contributions to the Foundation and in those cases the support is recognized as described above under "Contributions."

Other Income

Other revenue includes administrative fees and revenue from sale of merchandise which are recognized when earned.

Special Events

Special event revenue, contributions and grants received for special events, and revenue from auction items sold at the events are recognized as revenue in the period the event is held.

Basis of Presentation

The Foundation is required to report fiscal information regarding its financial position and activities in accordance with three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Continued

1. Organization and Summary of Significant Accounting Policies, continued

Basis of Presentation, continued

Unrestricted

Unconditional promises to give by donors without any use or time restrictions. Certain unrestricted net assets have been designated for specific purposes. Designations include:

Board Designated Fund

The board has established the Foundation's Board Designated Fund which functions as a quasi-endowment and is a board-directed fund. As of June 30, 2013, board designated funds in the amount of $809,477 are included in unrestricted net assets on the statement of financial position.

Temporarily Restricted

Gifts of cash and other assets received from donors that specify a specific use, the occurrence of a certain future event, or the passage of time.

Permanently Restricted

Unconditional promises to give by donors that specify the assets donated be invested to provide a permanent source of income.

Endowments

The State of California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds. Net asset classifications of donor-restricted endowment funds subject to UPMIFA have been accounted for in these financial statements. Additional disclosures about the organization's endowment funds (both donor-restricted and board-designated endowment funds) whether or not the organization is subject to UPMIFA have been included for the year ending June 30, 2013.

Interpretation of Relevant Law

The Board of the Foundation has interpreted the State of California's 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 Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts donated to the permanent endowment, and (3) additions to the permanent endowment in accordance with donor directions. 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.

Continued

1. **Organization and Summary of Significant Accounting Policies**, continued

Basis of Presentation, continued

Endowments, continued

Spending Policy

If the donor does not restrict the allowed use of the income, the Foundation may determine the income's availability to the Foundation's operations. Due to the small endowment, the Foundation did not authorize any spending on the endowment in 2013.

Investment Policy

The Foundation has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board, the endowment assets are invested in readily marketable debt and equity securities. To satisfy its long-term objectives, the Foundation relies on a strategy in which investment returns are achieved through current yield (interest and dividends) and unrealized and realized gains from changes in market value.

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 Foundation to retain as a fund of perpetual duration. In accordance with Generally Accepted Accounting Principles (GAAP), deficiencies of this nature are reported in temporarily restricted or unrestricted net assets. Such deficiencies may result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board. There were no such deficiencies at June 30, 2013.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Foundation uses various valuation approaches. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Continued

1. Organization and Summary of Significant Accounting Policies, continued

Fair Value Measurements, continued

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1–quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 are publicly traded debt and equity securities. The Foundation does not adjust the quoted prices for these investments even in situations where the Foundation holds a large portion and a sale could reasonably impact the quoted prices.

Level 2–valuation inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category are publicly traded equity securities with restrictions.

Level 3–valuation inputs are obtained without observable market value and require a high level of judgment to determine the fair value.

In certain cases fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

Fair Value of Financial Instruments

The Foundation has determined that the amounts reported for cash and cash equivalents, accounts receivable, deposits, and accounts payable have carrying amounts that approximate fair value because of the short maturity of these financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cash held in banks and other financial institutions with an original maturity of three months or less.

The Foundation holds funds in a separate account for a nonprofit agency that it serves as a fiscal agent and at June 30, 2013 the balance was $654,585. The Foundation also has a separate bank account as required by certain grant agreements and the balance at June 30, 2013 was $226,352.

Concentration of Risk

Cash and Cash Equivalents

The Foundation in the normal course of business may maintain cash balances at major financial institutions in excess of insured limits. The Foundation has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash deposits.

Continued

1. **Organization and Summary of Significant Accounting Policies**, continued

Concentration of Risk, continued

Revenue and Pledges Receivable

The Foundation had two donors at June 30, 2013 representing approximately 74% and 23% of pledges receivable, respectively. The Foundation had three donors representing 40%, 23% and 11% of total revenue and support for the year-ended June 30, 2013.

Inventory

Inventory consists of an assortment of merchandise such as t-shirts, sweatshirts, and CDs sold by the Foundation on its website. Upon sale, inventory is relieved on an average cost basis. Proceeds from inventory sales are used to further the Foundation's mission.

Receivables, net

Accounts

Accounts receivable consist of trade receivables. At June 30, 2013, management believes that a portion of accounts receivable is uncollectible; therefore, an allowance for doubtful accounts of $841 has been provided.

Grants

Grants receivable consist of amounts due from government entities under cost-reimbursable sub-agreements. At June 30, 2013, management believes this amount is collectible, therefore, no allowance for doubtful accounts has been provided on grants receivable.

Pledges

Management believes that all unconditional promises to give are collectible; therefore, no allowance for uncollectible pledges has been provided on pledges. In addition, management did not calculate a discount on the $1,300,000 of long-term pledges due to immateriality.

Investments

Investments for the year ended June 30, 2013 consisted of readily marketable debt and equity securities. Unrealized and realized gains and losses were reflected as increases or decreases in the unrestricted or temporarily restricted classes of net assets based on donor restrictions. Any marketable equity securities received by donation are sold as soon as practicable after receipt and are classified based on the donor's intention.

Continued

1. **Organization and Summary of Significant Accounting Policies**, continued

Equipment, Furniture, and Fixtures

Equipment, furniture, and fixtures are stated at cost or, if donated, at the fair market value at the date of donation. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets which range from three to five years. The Foundation capitalizes assets with a cost or donated value of $3,000 or more.

Grants Advance and Grants Payable

Unconditional grants are recognized as grant expense and a liability when the Foundation's approves the grants. Unconditional grants that are expected to be paid in less than one year are measured at net settlement value. Unconditional grants that are expected to be paid in more than one year are measured at the present value of the estimated future cash flows. There were no multi-year grant payables at June 30, 2013. Grant refunds are recorded as a reduction of grant expense at the time the Foundation becomes aware the grant will be refunded.

Grants provided on an exchange basis are recognized as grant expense and a liability when services are performed by the grantees. The Foundation occasionally advances funds to grantees that have not yet performed the services necessary to recognize the revenue. Such funds are refundable to the Foundation and are recorded as grant advance until services are performed.

Deferred Revenue

Deferred revenue includes funds received in advance for which the Foundation has not performed the services necessary to earn the revenue by the year-end.

Advertising

Advertising costs are expensed as incurred. Advertising costs incurred totaled $474,294, of which $468,336 was contributed in-kind, for the year ended June 30, 2013.

Functional Allocation of Expenses

The Foundation's costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Direct costs associated with specific programs are recorded as program expenses. Program expenses include allocable management and general expenses. Management and general expenses not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation, are shown separately.

Income Taxes

The Foundation is a nonprofit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701(d).

Continued

1. Organization and Summary of Significant Accounting Policies, continued

Income Taxes, continued

The Foundation's policy for evaluating uncertain tax positions is a two step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more-likely-than-not that the position will be sustained upon audit, including resolution of related appeals or litigations processes, if any. The second step is to measure the tax benefit or liability as the largest amount that is more than 50% likely to be realized or incurred upon settlement. As the Foundation is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal or state income taxes, the tax positions taken or expected to be taken have not had a material impact on the Foundation's financial statements for the year ended June 30, 2013.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Summarized Financial 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements as of and for the year ended June 30, 2012, from which the summarized information was derived.

2. Pledges Receivable

Pledges receivable as of June 30, 2013 are due as follows:

Prior years pledges receivable	$ 66,340
Receivable in less than one year	1,340,000
Receivable in one to three years	1,300,000
Total pledges receivable	$ 2,706,340

The amount included in pledges receivable for other nonprofit agencies in which the Foundation is fiscal agent is $66,340 and this amount is due in less than one year. There is a corresponding amount in due to other agencies as a liability at June 30, 2013.

Continued

3. Investments

Investments consisted of the following at June 30, 2013:

Debt securities	$ 599,330
Equity securities	233,556
	$ 832,886

The following schedule summarizes the investment return in the statement of activities and changes in net assets at June 30, 2013:

Dividend income	$ 11,960
Unrealized/realized gain	$ 35,112

4. Equipment, Furniture, and Fixtures

Equipment, furniture, and fixtures are comprised of the following at June 30, 2013:

Leasehold improvements	$ 47,104
Furniture and equipment	84,304
	131,408
Accumulated depreciation and amortization	(131,408)
	$ -

Total depreciation and amortization expense for the year ended June 30, 2013 amounted to $1,452.

5. Net Assets

The Foundation's board of directors has chosen to place the following limitations on unrestricted net assets at June 30, 2013:

Designated for endowment purposes	$ 809,477

Temporarily restricted net assets consist of the following at June 30, 2013:

Center for Innovation in Eye Care	$ 2,342,693
Sight Programs	915,633
Native American Programs	20,000
Future periods	416,077
Total	$ 3,694,403

Continued

5. Net Assets, continued

Temporarily restricted net assets were released from the following restrictions:

Center for Innovation in Eye Care	$ 1,125,205
Sight Programs	2,120,760
Native American Programs	135,030
	$ 3,380,995

Permanently restricted net assets are as follows:

General Endowment	$ 23,000

The Foundation's endowment consists of several individual donor-restricted donations for general endowment purposes in addition to unrestricted funds designated by the Board to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as quasi- endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of June 30, 2013 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	$ -	$ 409	$ 23,000	$ 23,409
Board-designated funds	808,802	675	-	809,477
Total funds	$ 808,802	$ 1,084	$ 23,000	$ 832,886

Changes in endowment net assets as of June 30, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	$ 662,138	$ 675	$ 23,000	$ 685,813
Board designation of endowment funds	100,000	-	-	100,000
Unrealized and realized gain on investments	35,112	-	-	35,112
Dividend income reinvested	11,552	409	-	11,961
Endowment net assets, end of year	$ 808,802	$ 1,084	$ 23,000	$ 832,886

Continued

6. Fair Value Measurements

The following table summarizes the Foundation's financial assets measured at fair value on a recurring basis as of June 30, 2013:

	2013	Quoted Prices in Active Markets of Identical Assets (Level 1)
Assets:		
Money market funds included in cash and cash equivalents	$ 617,072	$ 617,072
Investments:		
Debt securities:		
U.S. Treasury	427,323	427,323
Finance	59,933	59,933
Foreign	40,754	40,754
Industrial	62,330	62,330
Utilities	8,990	8,990
Total debt securities	599,330	599,330
Equity securities:		
Basic materials	6,773	6,773
Consumer goods	24,523	24,523
Consumer services	31,063	31,063
Financials	43,909	43,909
Health care	27,326	27,326
Industrials	30,362	30,362
Information technology	33,632	33,632
Oil and gas	22,188	22,188
Telecommunication services	5,839	5,839
Utilities	7,941	7,941
Total equity securities	233,556	233,556
Total investments	832,886	832,886
Total	$ 1,449,958	$ 1,449,958

Continued

7. Lease Obligations

The Foundation has various operating leases with an original term of greater than one year for equipment and office space. Minimum lease payments are as follows:

Year ended June 30:	
2014	$ 129,907
2015	130,772
2016	130,648
2017	129,200
2018	43,200
	$ 563,727

Total operating lease expense amounted to $128,673 for the year ended June 30, 2013.

8. Funds Held for Others

The Foundation holds funds for another nonprofit agency as their fiscal agent. The Foundation earned a fee of $45,000 during 2013 for providing this service. At June 30, 2013, the amounts held were $720,925. Of this amount, $66,340 is a promise to give by a donor for other nonprofit agencies. The Foundation does not have variance power over this promise to give.

9. Line of Credit

The Foundation had a $400,000 unsecured line of credit with Bank of Marin which expired in February 2013. The loan had interest at a fluctuating rate per annum equal to the Bank's prime rate plus 1.5%. A new unsecured line of credit was secured in February 2013 which expires on February 5, 2014. The loan bears interest at a fluctuating rate per annum equal to the Bank's prime rate plus 1.5%. The loan specifies certain financial and other covenants. As of June 30, 2013, the line of credit balance is zero.

10. Contributions - In-Kind

In-kind contributions for the year ended June 30, 2013 are as follows:

Advertisement	$ 468,336
System and business management consultants	157,275
Physicians	175,302
Field office salaries	73,340
Ophthalmic technician/student	34,302
Eye glass frames	922,700
Other equipment/supplies	20,673
	$ 1,851,928

Continued

11. Retirement Annuity Plan

The Foundation has established a retirement annuity plan for its employees under Section 403(b) of the Internal Revenue Code. The retirement annuity plan provides for an employer contribution to a defined contribution retirement plan of five percent (5%) of an employee's gross earnings after the employee's one year anniversary. There is no requirement that employees contribute to the plan to receive the employer contribution. Employer contributions to the retirement annuity plan totaled $47,774 in the year ended June 30, 2013.

12. Subsequent Events

The Foundation evaluated subsequent events for recognition and disclosure through October 23, 2013, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred through October 23, 2013 that would require recognition or disclosure in the financial statements.