

THE ARMENIAN EYECARE PROJECT

FINANCIAL STATEMENTS

Years Ended December 31, 2010 and 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Armenian EyeCare Project
Newport Beach, California

We have audited the accompanying statements of financial position of The Armenian EyeCare Project (a California Non-Profit Public Benefit Corporation) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 audit 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 The Armenian EyeCare Project as of December 31, 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.



November 4, 2011

THE ARMENIAN EYECARE PROJECT
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash	\$ 289,620	\$ 659,031
Investments	641,991	590,021
Prepaid expenses	<u>10,000</u>	<u>26,825</u>
Total current assets	941,611	1,275,877
PROPERTY AND EQUIPMENT, net	842,339	948,278
DEPOSITS	<u>-</u>	<u>1,000</u>
Total assets	<u>\$ 1,783,950</u>	<u>\$ 2,225,155</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accrued expenses	\$ <u>79,776</u>	\$ <u>31,992</u>
Total current liabilities	79,776	31,992
UNRESTRICTED NET ASSETS	<u>1,704,174</u>	<u>2,193,163</u>
Total liabilities and net assets	<u>\$ 1,783,950</u>	<u>\$ 2,225,155</u>

THE ARMENIAN EYECARE PROJECT
STATEMENTS OF ACTIVITIES
For the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>% of</u> <u>Revenue</u>	<u>2009</u>	<u>% of</u> <u>Revenue</u>
REVENUES AND GAINS				
Donations	\$ 429,098	28.73%	\$ 337,633	19.70%
Grants	172,000	11.52%	581,701	33.93%
Bequests	37,905	2.54%	201,007	11.72%
Special events	282,459	18.91%	150,124	8.76%
Donations in-kind	544,057	36.43%	367,142	21.42%
Interest and dividend income	30,600	2.05%	26,494	1.55%
Loss on disposal of fixed assets	(27,004)	(1.81)%	(1,856)	(0.11)%
Net realized and unrealized gains (losses) on investments	<u>24,271</u>	<u>1.63%</u>	<u>52,048</u>	<u>3.03%</u>
Total revenues and gains	<u>1,493,386</u>	<u>100.00%</u>	<u>1,714,293</u>	<u>100.00%</u>
EXPENSES				
Program	1,587,096		1,037,814	
Fund development and marketing	306,928		444,873	
Administrative and general	<u>88,351</u>		<u>155,021</u>	
Total expenses	<u>1,982,375</u>		<u>1,637,708</u>	
CHANGE IN UNRESTRICTED NET ASSETS				
	<u>(488,989)</u>		<u>76,585</u>	
UNRESTRICTED NET ASSETS, beginning	<u>2,193,163</u>		<u>2,116,578</u>	
UNRESTRICTED NET ASSETS, ending	\$ <u>1,704,174</u>		\$ <u>2,193,163</u>	

THE ARMENIAN EYECARE PROJECT
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (488,989)	\$ 76,585
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	301,158	305,360
Loss on disposal of fixed assets	27,004	1,856
Net investment (gains) losses	(51,970)	(73,926)
Donations of in-kind equipment	(33,000)	(38,000)
(Increase) decrease in:		
Prepaid expenses	16,825	(26,825)
Other assets	1,000	1,752
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>47,784</u>	<u>31,992</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(180,188)</u>	<u>278,794</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(189,223)</u>	<u>(13,152)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(189,223)</u>	<u>(13,152)</u>
NET INCREASE (DECREASE) IN CASH	(369,411)	265,642
BEGINNING CASH BALANCE	<u>659,031</u>	<u>393,389</u>
ENDING CASH BALANCE	<u>\$ 289,620</u>	<u>\$ 659,031</u>

THE ARMENIAN EYECARE PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 1: THE COMPANY

The Armenian EyeCare Project (AECF), A California Non-Profit Public Benefit Corporation was founded in 1992. The purpose of the AECF is to provide eye care and to assist in the prevention and treatment of blindness, eye disease and eye injuries in Armenia and such other places throughout the world as designated by the Board of Directors. From 1992 through January 22, 2002, the AECF was a United Armenian Fund (UAF) funded project. The AECF was incorporated on January 22, 2002.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and practices followed by the AECF are set forth below:

Public support and revenue

Contributions are generally available for unrestricted use in the related period unless specifically restricted by the donor. Grants and other contributions of cash and other assets are reported as temporarily 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.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Equipment with a fair value greater than \$500 is capitalized while equipment with a fair value less than \$500 is expensed as program costs. All consumables, regardless of fair value, such as medical supplies and pharmaceuticals are expensed at their fair value and are reflected in program costs. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Cash and cash equivalents

For purposes of the statement of cash flows the Company considers all highly liquid short-term investments purchased with a maturity of three months or less to be cash equivalents.

Concentration of credit risk from financial instruments

The Company maintains cash accounts with one financial institution. The Company from time to time may have bank deposits in excess of the FDIC insurance limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles necessarily 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 these estimates.

THE ARMENIAN EYECARE PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax status

The specific and primary purposes of the AECF are charitable, meeting the requirements for exemption provided by Section 501(c)(3) of the Internal Revenue Service Code of 1986 and by Section 23701d of the California Revenue and Taxation Code.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Property and equipment

Property and equipment are stated at cost. Depreciation of property and equipment is computed using the straight-line method. Estimated useful lives of the assets are as follows:

Mobile hospital	10 years
Medical equipment	7 years
Vehicles	5-10 years
Tent	5 years
Office equipment, furniture and fixtures	5-7 years
Computer equipment	5 years
Computer software	3 years

The cost of normal maintenance and repairs is charged to operations as incurred, whereas expenditures which materially extend property lives are capitalized. When depreciable property is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in income.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 3: INVESTMENTS

Aggregate market value of investments as of December 31, 2010 and 2009, are summarized as follows:

	<u>2010</u>	<u>2009</u>
Unrestricted		
RMA Money Market Portfolio	\$ 82,476	\$ 63,776
FNMA Gtd Pass thru Pool	50,493	59,111
Russell 2000 Value Index Fund	15,427	12,595
Russell 1000 Value Index Fund	13,104	11,595
Russell 1000 Growth Index Fund	13,628	11,864
Standard and Poors Depository	13,204	11,701

THE ARMENIAN EYECARE PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 3: INVESTMENTS (continued)

Western Asset Management High Income Fund	48,470	45,857
Calvert Short Duration Income Fund	53,529	51,607
Clough Global Allocation Fund	17,635	15,731
FT Templeton Global Bond A	60,486	53,679
FT Franklin Strategic Income A	58,707	52,955
Loomis Sayles Strategic Income Fund	51,816	45,642
Neuberger Strategic Income Fund	56,460	51,288
Pioneer Strategic Income Fund	57,390	51,470
ACM Income Fund	<u>49,166</u>	<u>51,150</u>
 Total unrestricted investments	 <u>\$ 641,991</u>	 <u>\$ 590,021</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 29,806	\$ 25,446
Realized gains (losses) on sales of investments	-	(17,758)
Net unrealized gains (losses)	24,271	69,806
Investment fees	<u>(2,107)</u>	<u>(3,568)</u>
 Net investment return	 <u>\$ 51,970</u>	 <u>\$ 73,926</u>

NOTE 4: PROPERTY AND EQUIPMENT

The balance of property and equipment as of December 31, 2010 and 2009 is summarized as follows:

	<u>2010</u>	<u>2009</u>
Mobile hospital	\$ 274,054	\$ 274,054
Medical equipment	1,988,631	2,097,252
Vehicles	72,687	72,687
Tent	12,052	12,052
Office equipment	26,314	29,136
Furniture and fixtures	20,315	37,205
Computer equipment	7,305	32,841
Computer software, website and database	<u>78,383</u>	<u>103,815</u>
 Total property and equipment	 2,479,741	 2,659,042
Less accumulated depreciation	<u>(1,637,402)</u>	<u>(1,710,764)</u>
 Property and equipment, net	 <u>\$ 842,339</u>	 <u>\$ 948,278</u>

THE ARMENIAN EYECARE PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 4: PROPERTY AND EQUIPMENT (continued)

Depreciation and amortization expense charged to operations for the years ended December 31, 2010 and 2009 totaled \$301,158 and \$305,360, respectively.

NOTE 5: FUNCTIONAL ALLOCATION OF EXPENSES

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

NOTE 6: U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) GRANT

During the year ending December 31, 2004 the AECF was awarded a \$750,000 cost sharing (matching) grant from USAID to provide support for a program in "Bringing Sight to Armenian Eyes", for the period from October 1, 2004 through September 30, 2007. During the year ended December 31, 2007 the AECF was awarded an additional \$800,000 cost sharing (matching) grant from USAID. USAID has obligated a total amount of \$1,550,000 for program expenditures for the period from October 1, 2004 through September 30, 2011. According to the grant provisions, the AECF has agreed to expend an amount not less than \$10,731,946 (ratio of 6.92 to 1) of the total activity costs. If at the end of the funding period, the AECF has expended an amount of non-Federal funds less than the agreed upon amount or percentage of total expenditures, the Agreement Officer may apply the difference to reduce the amount of USAID incremental funding in the following funding period. If the award has expired or has been terminated, the Agreement Officer may require the AECF to refund the difference to USAID.

NOTE 7: CREDIT LINE

The Company has a business cash reserve account credit line in the amount of \$1,000. This credit line provides overdraft protection for the checking account. Interest on the outstanding balance is payable monthly at 16.8%. The credit line balance was \$0 at both December 31, 2010 and 2009.

THE ARMENIAN EYECARE PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 8: FUNCTIONAL EXPENSES

The following schedules summarize the functional expenses and their classification in the statements of activities for the years ended December 31, 2010 and 2009:

December 31, 2010

	<u>Program</u>	<u>Fund Development</u>	<u>Administrative and general</u>	<u>Total</u>
Banking	\$ 690	\$ 3,359	\$ 3,446	\$ 7,495
Computer expenses	10,822	8,082	4,095	22,999
Depreciation	283,427	7,938	9,793	301,158
Dues and subscriptions	75	30	30	135
Education	-	-	787	787
Equipment and supplies	16,024	623	3,744	20,391
Events and meetings	-	89,707	806	90,513
Insurance	8,391	-	8,435	16,826
Marketing and public relations	4,757	600	-	5,357
Office space	27,717	3,767	1,551	33,035
Personnel	255,734	54,505	25,192	335,431
Postage and shipping	4,464	4,942	1,437	10,843
Printing and production	359,237	107,523	-	466,760
Professional services	59,048	21,233	25,372	105,653
Taxes, licenses and fees	-	-	435	435
Telephone	503	927	2,498	3,928
Travel	28,240	-	511	28,751
Vehicles	<u>20,785</u>	<u>36</u>	<u>-</u>	<u>20,821</u>
	<u>1,079,914</u>	<u>303,272</u>	<u>88,132</u>	<u>1,471,318</u>
In-kind expenses				
Physician services	25,573	-	-	25,573
Events and meeting	-	1,163	-	1,163
Professional services	18,277	1,969	219	20,465
Equipment and supplies	432,809	-	-	432,809
Travel	25,503	-	-	25,503
Other	<u>5,020</u>	<u>524</u>	<u>-</u>	<u>5,544</u>
	<u>507,182</u>	<u>3,656</u>	<u>219</u>	<u>511,057</u>
Totals	<u>\$1,587,096</u>	<u>\$ 306,928</u>	<u>\$ 88,351</u>	<u>\$1,982,375</u>

THE ARMENIAN EYECARE PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 8: FUNCTIONAL EXPENSES (continued)

December 31, 2009

	<u>Program</u>	<u>Fund Development</u>	<u>Administrative and general</u>	<u>Total</u>
Banking	\$ 373	\$ 2,150	\$ 2,183	\$ 4,706
Computer expenses	9,230	56,088	16,187	81,505
Depreciation	289,880	763	14,717	305,360
Dues and subscriptions	134	260	-	394
Education	-	-	-	-
Equipment and supplies	11,370	609	3,221	15,200
Events and meetings	404	42,932	931	44,267
Insurance	14,166	-	1,937	16,103
Marketing and public relations	3,193	13,539	141	16,873
Office space	30,827	3,060	19,948	53,835
Personnel	202,422	61,608	39,892	303,922
Postage and shipping	901	29,194	849	30,944
Printing and production	94,581	193,349	2,719	290,649
Professional services	32,395	27,345	36,717	96,457
Taxes, licenses and fees	437	-	3,252	3,689
Telephone	223	676	4,051	4,950
Travel	24,240	2,000	-	26,240
Vehicles	<u>6,196</u>	<u>-</u>	<u>8,276</u>	<u>14,472</u>
	<u>720,972</u>	<u>433,573</u>	<u>155,021</u>	<u>1,309,566</u>
In-kind expenses				
Physician services	63,152	-	-	63,152
Events and meeting	-	-	-	-
Professional services	-	7,300	-	7,300
Equipment and supplies	244,570	-	-	244,570
Travel	9,120	4,000	-	13,120
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>316,842</u>	<u>11,300</u>	<u>-</u>	<u>328,142</u>
Totals	<u>\$1,037,814</u>	<u>\$ 444,873</u>	<u>\$ 155,021</u>	<u>\$1,637,708</u>

THE ARMENIAN EYECARE PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 9: FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis at December 31, 2010 and 2009 are as follows:

<u>December 31, 2010</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investments – registered investment companies	\$ <u>641,991</u>	\$ <u>641,991</u>
Total	\$ <u>641,991</u>	\$ <u>641,991</u>
 <u>December 31, 2009</u>		
Investments – registered investment companies	\$ <u>590,021</u>	\$ <u>590,021</u>
Total	\$ <u>590,021</u>	\$ <u>590,021</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 10: RELATED PARTY TRANSACTIONS

During the years ended December 31, 2010 and 2009, the Company paid \$4,848 and \$43,277, respectively in computer related and marketing costs to an entity owned and controlled by the Executive Director's sister.

NOTE 11: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 4, 2011, the date on which the financial statements were available to be issued.