

THE ARMENIAN EYECARE PROJECT

FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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.



December 28, 2012

THE ARMENIAN EYECARE PROJECT
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash	\$ 420,301	\$ 289,620
Investments	647,096	641,991
Prepaid expenses	<u>-</u>	<u>10,000</u>
Total current assets	1,067,397	941,611
PROPERTY AND EQUIPMENT, net	<u>730,772</u>	<u>842,339</u>
Total assets	<u>\$ 1,798,169</u>	<u>\$ 1,783,950</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accrued expenses	\$ <u>36,411</u>	\$ <u>79,776</u>
Total current liabilities	36,411	79,776
UNRESTRICTED NET ASSETS	<u>1,761,758</u>	<u>1,704,174</u>
Total liabilities and net assets	<u>\$ 1,798,169</u>	<u>\$ 1,783,950</u>

THE ARMENIAN EYECARE PROJECT
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>% of Revenue</u>	<u>2010</u>	<u>% of Revenue</u>
REVENUES AND GAINS				
Donations	\$ 390,994	23.47%	\$ 429,098	28.73%
Grants	127,716	7.67%	172,000	11.52%
Bequests	378,592	22.72%	37,905	2.54%
Special events	202,250	12.14%	282,459	18.91%
Donations in-kind	559,143	33.55%	544,057	36.43%
Interest and dividend income	32,013	1.92%	30,600	2.05%
Loss on disposal of fixed assets	-	0.00%	(27,004)	(1.81)%
Net realized and unrealized gains (losses) on investments	<u>(24,523)</u>	<u>(1.47)%</u>	<u>24,271</u>	<u>1.63%</u>
Total revenues and gains	<u>1,666,185</u>	<u>100.00%</u>	<u>1,493,386</u>	<u>100.00%</u>
EXPENSES				
Program	1,169,741		1,587,096	
Fund development and marketing	340,581		306,928	
Administrative and general	<u>98,279</u>		<u>88,351</u>	
Total expenses	<u>1,608,601</u>		<u>1,982,375</u>	
CHANGE IN UNRESTRICTED NET ASSETS				
	<u>57,584</u>		<u>(488,989)</u>	
UNRESTRICTED NET ASSETS, beginning	<u>1,704,174</u>		<u>2,193,163</u>	
UNRESTRICTED NET ASSETS, ending	<u>\$ 1,761,758</u>		<u>\$ 1,704,174</u>	

THE ARMENIAN EYECARE PROJECT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 57,584	\$ (488,989)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	309,111	301,158
Loss on disposal of fixed assets	-	27,004
Net investment (gains) losses	(5,105)	(51,970)
Donations of in-kind equipment	(142,000)	(33,000)
(Increase) decrease in:		
Prepaid expenses	10,000	16,825
Other assets	-	1,000
Increase (decrease) in:		
Accrued expenses	<u>(43,365)</u>	<u>47,784</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>186,225</u>	 <u>(180,188)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(55,544)</u>	<u>(189,223)</u>
 NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	 <u>(55,544)</u>	 <u>(189,223)</u>
 NET INCREASE (DECREASE) IN CASH	 130,681	 (369,411)
 BEGINNING CASH BALANCE	 <u>289,620</u>	 <u>659,031</u>
 ENDING CASH BALANCE	 <u>\$ 420,301</u>	 <u>\$ 289,620</u>

THE ARMENIAN EYECARE PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 1: THE ORGANIZATION

The Armenian EyeCare Project (AECP), a California Non-Profit Public Benefit Corporation, (the Organization) was incorporated on January 22, 2002. The purpose of the AECP 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Organization 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 Organization maintains cash accounts with one financial institution. The Organization from time to time may have bank deposits in excess of the FDIC insurance limits. The Organization 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)

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from California franchise tax under Section 23701d of the California Revenue and Taxation Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for 2011 and 2010.

The Organization files its Form 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of California and its Form 199 with the California Franchise Tax Board. The Organization is generally no longer subject to examination by the Internal Revenue Service or the California Franchise Tax Board for years before 2007.

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.

THE ARMENIAN EYECARE PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 3: INVESTMENTS

Aggregate market value of investments as of December 31, 2011 and 2010, are summarized as follows:

	<u>2011</u>	<u>2010</u>
Unrestricted		
RMA Money Market Portfolio	\$ 71,713	\$ 82,476
FNMA Gtd Pass thru Pool	42,020	50,493
Russell 2000 Value Index Fund	18,182	15,427
Russell 1000 Value Index Fund	16,949	13,104
Russell 1000 Growth Index Fund	17,973	13,628
Standard and Poors Depository	17,319	13,204
Ishares MSCI Emerging Markets	14,189	-
Western Asset Management High Income Fund	47,837	48,470
Calvert Short Duration Income Fund	53,732	53,529
Clough Global Allocation Fund	15,440	17,635
FT Templeton Global Bond A	59,050	60,486
FT Franklin Strategic Income A	47,042	58,707
Loomis Sayles Strategic Income Fund	40,331	51,816
Neuberger Strategic Income Fund	46,871	56,460
Pioneer Strategic Income Fund	46,021	57,390
Blackrock Global Allocation Fund	42,393	-
ACM Income Fund	<u>50,034</u>	<u>49,166</u>
Total unrestricted investments	\$ <u>647,096</u>	\$ <u>641,991</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 31,861	\$ 29,806
Net unrealized gains (losses)	(24,523)	24,271
Investment fees	<u>(2,233)</u>	<u>(2,107)</u>
Net investment return	\$ <u>5,105</u>	\$ <u>51,970</u>

THE ARMENIAN EYECARE PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 4: PROPERTY AND EQUIPMENT

The balance of property and equipment as of December 31, 2011 and 2010 is summarized as follows:

	<u>2011</u>	<u>2010</u>
Mobile hospital	\$ 274,054	\$ 274,054
Medical equipment	2,169,582	1,988,631
Vehicles	72,687	72,687
Tent	12,052	12,052
Office equipment	26,314	26,314
Furniture and fixtures	20,315	20,315
Computer equipment	8,898	7,305
Computer software, website and database	<u>93,383</u>	<u>78,383</u>
 Total property and equipment	 2,677,285	 2,479,741
Less accumulated depreciation	<u>(1,946,513)</u>	<u>(1,637,402)</u>
 Property and equipment, net	 \$ <u>730,772</u>	 \$ <u>842,339</u>

Depreciation and amortization expense charged to operations for the years ended December 31, 2011 and 2010 totaled \$309,111 and \$301,158, 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 AECP 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 AECP 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 AECP 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 AECP 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 AECP to refund the difference to USAID.

THE ARMENIAN EYECARE PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 7: CREDIT LINE

The Organization 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, 2011 and 2010.

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, 2011 and 2010:

December 31, 2011

	<u>Program</u>	<u>Fund Development</u>	<u>Administrative and General</u>	<u>Total</u>
Banking	\$ 45	\$ 5,253	\$ 495	\$ 5,793
Computer expenses	3,585	40,991	6,439	51,015
Depreciation	286,326	20,713	2,072	309,111
Dues and subscriptions	134	-	-	134
Equipment and supplies	54,690	240	7,158	62,088
Events and meetings	266	92,986	2,880	96,132
Insurance	15,676	-	343	16,019
Marketing and public relations	28,933	20,301	63	49,297
Office space	24,279	788	4,759	29,826
Personnel	192,357	80,364	35,559	308,280
Postage and shipping	4,189	598	1,125	5,912
Printing and production	32,786	54,939	635	88,360
Professional services	70,936	19,917	21,782	112,635
Taxes, licenses and fees	135	-	888	1,023
Telephone	234	50	2,425	2,709
Travel	34,130	586	400	35,116
Vehicles	6,634	-	11,256	17,890
Website	<u>118</u>	<u>-</u>	<u>-</u>	<u>118</u>
	<u>755,453</u>	<u>337,726</u>	<u>98,279</u>	<u>1,191,458</u>
In-kind expenses				
Physician services	10,600	-	-	10,600
Professional services	-	1,650	-	1,650
Equipment and supplies	394,573	-	-	394,573
Travel	4,115	1,205	-	5,320
Other	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
	<u>414,288</u>	<u>2,855</u>	<u>-</u>	<u>417,143</u>
Totals	<u>\$1,169,741</u>	<u>\$ 340,581</u>	<u>\$ 98,279</u>	<u>\$1,608,601</u>

THE ARMENIAN EYECARE PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 8: FUNCTIONAL EXPENSES (continued)

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 9: FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis at December 31, 2011 and 2010 are as follows:

<u>December 31, 2011</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investments – registered investment companies	\$ <u>647,096</u>	\$ <u>647,096</u>
Total	\$ <u>647,096</u>	\$ <u>647,096</u>
 <u>December 31, 2010</u>		
Investments – registered investment companies	\$ <u>641,991</u>	\$ <u>641,991</u>
Total	\$ <u>641,991</u>	\$ <u>641,991</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, 2011 and 2010, the Organization paid \$8,994 and \$4,848, 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 December 28, 2012, the date on which the financial statements were available to be issued.