

**THE ARMENIAN EYECARE PROJECT**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2013 and 2012**

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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 financial statements of The Armenian EyeCare Project (a California Non-Profit Public Benefit Corporation), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years 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.

### **Auditor's Responsibility**

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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Armenian EyeCare Project as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Miller Giangrande LLP*

December 12, 2014

THE ARMENIAN EYECARE PROJECT  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash	\$ 1,291,376	\$ 457,697
Investments	<u>756,339</u>	<u>710,863</u>
Total current assets	2,047,715	1,168,560
PROPERTY AND EQUIPMENT, net	<u>638,357</u>	<u>675,041</u>
Total assets	<u>\$ 2,686,072</u>	<u>\$ 1,843,601</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accrued expenses	\$ <u>27,544</u>	\$ <u>13,564</u>
Total current liabilities	27,544	13,564
UNRESTRICTED NET ASSETS	<u>2,658,528</u>	<u>1,830,037</u>
Total liabilities and net assets	<u>\$ 2,686,072</u>	<u>\$ 1,843,601</u>

THE ARMENIAN EYECARE PROJECT  
STATEMENTS OF ACTIVITIES  
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>% of Revenue</u>	<u>2012</u>	<u>% of Revenue</u>
<b>REVENUES AND GAINS</b>				
Donations	\$ 353,066	16.05%	\$ 229,530	15.76%
Grants	793,414	36.06	645,004	44.27
Bequests	723,181	32.87	-	-
Special events	-	-	123,606	8.49
Donations in-kind	281,970	12.82	392,546	26.94
Interest and dividend income	31,079	1.41	29,730	2.04
Net realized and unrealized gains (losses) on investments	<u>17,253</u>	<u>0.79</u>	<u>36,481</u>	<u>2.50</u>
Total revenues and gains	<u>2,199,963</u>	<u>100.00%</u>	<u>1,456,897</u>	<u>100.00%</u>
<b>EXPENSES</b>				
Program	1,108,878		1,043,768	
Fund development and marketing	149,256		241,441	
Administrative and general	<u>113,338</u>		<u>103,409</u>	
Total expenses	<u>1,371,472</u>		<u>1,388,618</u>	
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>				
	<u>828,491</u>		<u>68,279</u>	
UNRESTRICTED NET ASSETS, beginning	<u>1,830,037</u>		<u>1,761,758</u>	
UNRESTRICTED NET ASSETS, ending	<u>\$ 2,658,528</u>		<u>\$ 1,830,037</u>	

THE ARMENIAN EYECARE PROJECT  
 STATEMENTS OF CASH FLOWS  
 Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 828,491	\$ 68,279
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	222,731	308,357
Net investment (gains) losses	(45,476)	(63,767)
Donations of in-kind equipment	-	(202,714)
Increase (decrease) in:		
Accrued expenses	<u>13,980</u>	<u>(22,847)</u>
 <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	 <u>1,019,726</u>	 <u>87,308</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment	<u>(186,047)</u>	<u>(49,912)</u>
 <b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	 <u>(186,047)</u>	 <u>(49,912)</u>
 <b>NET INCREASE (DECREASE) IN CASH</b>	 833,679	 37,396
 CASH, beginning	 <u>457,697</u>	 <u>420,301</u>
 CASH, ending	 <u>\$ 1,291,376</u>	 <u>\$ 457,697</u>

THE ARMENIAN EYECARE PROJECT  
NOTES TO FINANCIAL STATEMENTS

NOTE 1: THE ORGANIZATION

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

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 2013 and 2012.

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 2009.

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, website and database	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, 2013 and 2012 are summarized as follows:

	<u>2013</u>	<u>2012</u>
Unrestricted		
RMA Money Market Portfolio	\$ 65,310	\$ 88,826
UBS Bank USA Business Account	41,506	-
FNMA Gtd Pass thru Pool	25,032	33,509
Russell 2000 Value Index Fund	27,561	20,916
Russell 1000 Value Index Fund	25,143	19,443
Russell 1000 Growth Index Fund	26,730	20,367
Standard and Poors Depository	25,487	19,653
Ishares MSCI Emerging Markets	15,631	16,587
Western Asset Management High Income Fund	44,827	48,866
Calvert Short Duration Income Fund	40,462	57,210
Clough Global Allocation Fund	21,947	18,098
FT Templeton Global Bond A	69,902	68,384
FT Franklin Strategic Income A	37,081	52,850
Loomis Sayles Strategic Income Fund	50,780	45,799
Neuberger Strategic Income Fund	35,200	52,315
Pioneer Strategic Income Fund	34,800	51,182
Blackrock Global Allocation Fund	53,368	46,638
ACM Income Fund	44,206	50,220
Mainstay Marketfield Fund	36,069	-
Wells Fargo Advantage Absolute Return Fund	<u>35,297</u>	<u>-</u>
 Total unrestricted investments	 \$ <u>756,339</u>	 \$ <u>710,863</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 30,730	\$ 29,628
Net unrealized gains (losses)	17,253	36,481
Investment fees	<u>(2,507)</u>	<u>(2,342)</u>
 Net investment return	 \$ <u>45,476</u>	 \$ <u>63,767</u>



THE ARMENIAN EYECARE PROJECT  
NOTES TO FINANCIAL STATEMENTS

NOTE 4: PROPERTY AND EQUIPMENT

The balance of property and equipment as of December 31, 2013 and 2012 is summarized as follows:

	<u>2013</u>	<u>2012</u>
Mobile hospital	\$ 274,054	\$ 274,054
Medical equipment	2,604,578	2,422,208
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	11,390	8,898
Computer software, website and database	<u>94,568</u>	<u>93,383</u>
 Total property and equipment	 3,115,958	 2,929,911
 Less accumulated depreciation	 <u>(2,477,601)</u>	 <u>(2,254,870)</u>
 Property and equipment, net	 <u>\$ 638,357</u>	 <u>\$ 675,041</u>

Depreciation and amortization expense charged to operations for the years ended December 31, 2013 and 2012 totaled \$222,731 and \$308,357, 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 ended December 31, 2012 the AECF was awarded a \$1,000,000 cost sharing (matching) grant from USAID to provide support for a program; "Center of Excellence for Prevention of Childhood Blindness" for the period from August 29, 2012 through August 28, 2015. According to the grant provisions, the AECF has agreed to expend an amount not less than \$276,314. If at the end of the funding period, the AECF has expended an amount of non-Federal funds less than the agreed upon amount, 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.

THE ARMENIAN EYECARE PROJECT  
NOTES TO FINANCIAL STATEMENTS

NOTE 7: FUNCTIONAL EXPENSES

The following schedules summarize the functional expenses and their classification in the statements of activities for the years ended December 31, 2013 and 2012:

December 31, 2013

	<u>Program</u>	<u>Fund Development</u>	<u>Administrative and General</u>	<u>Total</u>
Banking	\$ -	\$ 296	\$ 3,584	\$ 3,880
Computer expenses	5,965	3,322	12,291	21,578
Depreciation	206,043	14,511	2,177	222,731
Dues and subscriptions	-	-	80	80
Education	8,000	-	-	8,000
Equipment and supplies	108,649	-	1,302	109,951
Events and meetings	-	11,529	541	12,070
Insurance	11,716	-	7,347	19,063
Marketing and public relations	6,858	736	53	7,647
Office space	28,023	-	2,470	30,493
Personnel	281,665	52,190	37,267	371,122
Postage and shipping	3,589	15,712	3,464	22,765
Printing and production	38,400	50,667	1,431	90,498
Professional services	81,522	293	25,593	107,408
Taxes, licenses and fees	-	-	299	299
Telephone	-	-	2,396	2,396
Travel	40,551	-	-	40,551
Vehicles	<u>5,927</u>	<u>-</u>	<u>13,043</u>	<u>18,970</u>
	<u>826,908</u>	<u>149,256</u>	<u>113,338</u>	<u>1,089,502</u>
 In-kind expenses				
Physician services	11,000	-	-	11,000
Equipment and supplies	265,496	-	-	265,496
Travel	<u>5,474</u>	<u>-</u>	<u>-</u>	<u>5,474</u>
	<u>281,970</u>	<u>-</u>	<u>-</u>	<u>281,970</u>
 Totals	<u>\$1,108,878</u>	<u>\$ 149,256</u>	<u>\$ 113,338</u>	<u>\$1,371,472</u>

THE ARMENIAN EYECARE PROJECT  
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NOTE 7: FUNCTIONAL EXPENSES (continued)

December 31, 2012

	<u>Program</u>	<u>Fund Development</u>	<u>Administrative and General</u>	<u>Total</u>
Banking	\$ 4	\$ 3,136	\$ 2,488	\$ 5,628
Computer expenses	14,824	12,141	11,781	38,746
Depreciation	284,527	21,685	2,145	308,357
Dues and subscriptions	380	-	-	380
Education	-	-	424	424
Equipment and supplies	60,731	52	6,132	66,915
Events and meetings	2,540	87,699	1,452	91,691
Insurance	8,937	-	3,940	12,877
Marketing and public relations	28,029	8,685	58	36,772
Office space	30,693	-	1,708	32,401
Personnel	254,575	45,692	33,878	334,145
Postage and shipping	17,099	20,608	588	38,295
Printing and production	5,083	37,489	396	42,968
Professional services	82,485	3,829	23,201	109,515
Taxes, licenses and fees	6,873	425	510	7,808
Telephone	247	-	2,441	2,688
Travel	42,645	-	-	42,645
Vehicles	<u>14,264</u>	<u>-</u>	<u>12,267</u>	<u>26,531</u>
	<u>853,936</u>	<u>241,441</u>	<u>103,409</u>	<u>1,198,786</u>
In-kind expenses				
Physician services	22,000	-	-	22,000
Equipment and supplies	144,032	-	-	144,032
Travel	<u>23,800</u>	<u>-</u>	<u>-</u>	<u>23,800</u>
	<u>189,832</u>	<u>-</u>	<u>-</u>	<u>189,832</u>
Totals	<u>\$1,043,768</u>	<u>\$ 241,441</u>	<u>\$ 103,409</u>	<u>\$1,388,618</u>

THE ARMENIAN EYECARE PROJECT  
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NOTE 8: FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis at December 31, 2013 and 2012 are as follows:

<u>December 31, 2013</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investments – registered investment companies	\$ <u>756,339</u>	\$ <u>756,339</u>
Total	\$ <u>756,339</u>	\$ <u>756,339</u>
 <u>December 31, 2012</u>		
Investments – registered investment companies	\$ <u>710,863</u>	\$ <u>710,863</u>
Total	\$ <u>710,863</u>	\$ <u>710,863</u>

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

NOTE 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through the report date, which represents the date the financial statements were available to be issued.