

THE ARMENIAN EYECARE PROJECT

FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014



## 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, 2015 and 2014, 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, 2015 and 2014, 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.

A handwritten signature in black ink that reads 'Miller Giangrande LLP'. The signature is written in a cursive, flowing style.

January 20, 2017

THE ARMENIAN EYECARE PROJECT  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2015 and 2014

ASSETS

	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 1,062,182	\$ 1,230,485
Investments	1,232,456	657,802
Prepaid expenses	<u>-</u>	<u>3,015</u>
Total current assets	2,294,638	1,891,302
<b>PROPERTY AND EQUIPMENT, net</b>	<u>1,256,282</u>	<u>611,148</u>
Total assets	<u>\$ 3,550,920</u>	<u>\$ 2,502,450</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accrued expenses	\$ <u>54,331</u>	\$ <u>41,015</u>
Total current liabilities	54,331	41,015
<b>UNRESTRICTED NET ASSETS</b>	<u>3,496,589</u>	<u>2,461,435</u>
Total liabilities and net assets	<u>\$ 3,550,920</u>	<u>\$ 2,502,450</u>

THE ARMENIAN EYECARE PROJECT  
STATEMENTS OF ACTIVITIES  
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>% of Revenue</u>	<u>2014</u>	<u>% of Revenue</u>
<b>REVENUES AND GAINS</b>				
Donations	\$ 933,802	36.69%	\$ 496,841	30.46%
Grants	1,250,000	49.11	250,000	15.33
Special events	315,960	12.41	241,575	14.81
Donations in-kind	61,478	2.42	620,859	38.06
Interest and dividend income	43,433	1.71	33,947	2.08
Net realized and unrealized gains (losses) on investments	<u>(59,514)</u>	<u>(2.34)</u>	<u>(12,000)</u>	<u>(0.74)</u>
Total revenues and gains	<u>2,545,159</u>	<u>100.00%</u>	<u>1,631,222</u>	<u>100.00%</u>
<b>EXPENSES</b>				
Program	1,060,573		1,441,254	
Fund development and marketing	285,139		235,526	
Administrative and general	<u>164,293</u>		<u>151,535</u>	
Total expenses	<u>1,510,005</u>		<u>1,828,315</u>	
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>				
	<u>1,035,154</u>		<u>(197,093)</u>	
UNRESTRICTED NET ASSETS, beginning	<u>2,461,435</u>		<u>2,658,528</u>	
UNRESTRICTED NET ASSETS, ending	<u>\$ 3,496,589</u>		<u>\$ 2,461,435</u>	

THE ARMENIAN EYECARE PROJECT  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in unrestricted net assets	\$ 1,035,154	\$ (197,093)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	194,938	153,691
Donations of securities	-	(134,595)
Proceeds from sale of donated securities	-	133,386
Net realized and unrealized (gains) losses on investments	59,514	12,000
(Increase) decrease in:		
Prepaid expenses	3,015	(3,015)
Increase (decrease) in:		
Accrued expenses	<u>13,316</u>	<u>13,471</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>1,305,937</u>	 <u>(22,155)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(634,168)	(19,070)
Purchases of equipment	<u>(840,072)</u>	<u>(126,482)</u>
 NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	 <u>(1,474,240)</u>	 <u>(145,552)</u>
 NET INCREASE (DECREASE) IN CASH	 (168,303)	 (167,707)
 CASH, beginning	 <u>1,230,485</u>	 <u>1,398,192</u>
 CASH, ending	 <u>\$ 1,062,182</u>	 <u>\$ 1,230,485</u>

THE ARMENIAN EYECARE PROJECT  
NOTES TO FINANCIAL STATEMENTS

NOTE 1: THE ORGANIZATION

The Armenian EyeCare Project (AECPP), a California Non-Profit Public Benefit Corporation, (the Organization) was incorporated on January 22, 2002. The purpose of the AECPP 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 its cash accounts with financial institutions. 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 (UBTI). 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 2015 and 2014.

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 2011.

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 in the accompanying Statements of Activities.

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

The Organization's investments as of December 31, 2015 and 2014 are recorded at fair value as summarized below:

	<u>2015</u>	<u>2014</u>
Unrestricted		
FNMA Gtd Pass thru Pool	\$ 17,039	\$ 20,929
Russell 2000 Value Index Fund	93,135	28,165
Russell 1000 Value Index Fund	96,099	27,875
Russell 1000 Growth Index Fund	54,416	29,735
Standard and Poors Depository	50,967	28,365
Ishares MSCI Emerging Markets	31,224	14,694
Western Asset Management High Income Fund	28,566	40,471
Calvert Short Duration Income Fund	43,878	40,802
Clough Global Allocation Fund	24,839	23,307
FT Templeton Global Bond A	73,190	71,022
FT Franklin Strategic Income A	38,833	37,739
Loomis Sayles Strategic Income Fund	53,310	53,677
Neuberger Strategic Income Fund	38,566	36,686
Pioneer Strategic Income Fund	38,579	36,406
Blackrock Global Allocation Fund	57,382	54,449
ACM Income Fund	-	46,314
Mainstay Marketfield Fund	-	31,628
Wells Fargo Advantage Absolute Return Fund	-	35,538
Ishares Floating Rate Bond	137,449	-
Vanguard Inter Term Bond	131,899	-
Vanguard Short-Term Bond	129,381	-
Vanguard International Equity Index Fund	44,452	-
UBS Bank Business Account	<u>49,252</u>	<u>-</u>
Total unrestricted investments	<u>\$ 1,232,456</u>	<u>\$ 657,802</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 43,016	\$ 33,363
Net realized and unrealized gains (losses)	(59,514)	(12,000)
Investment fees	<u>(10,086)</u>	<u>(4,209)</u>
Net investment return	<u>\$ (26,584)</u>	<u>\$ 17,154</u>

The Organization's investments are exposed to various risks, such as interest rate, market, currency and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in value of investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment assets reported in the financial statements.



THE ARMENIAN EYECARE PROJECT  
NOTES TO FINANCIAL STATEMENTS

NOTE 4: PROPERTY AND EQUIPMENT

The balance of property and equipment as of December 31, 2015 and 2014 is summarized as follows:

	<u>2015</u>	<u>2014</u>
Mobile hospital	\$ 274,054	\$ 274,054
Medical equipment	3,523,211	2,721,839
Vehicles	111,387	72,687
Tent	12,052	12,052
Office equipment	26,314	26,314
Furniture and fixtures	27,252	27,252
Computer equipment	13,674	13,674
Computer software, website and database	<u>94,568</u>	<u>94,568</u>
 Total property and equipment	 4,082,512	 3,242,440
 Less accumulated depreciation	 <u>(2,826,230)</u>	 <u>(2,631,292)</u>
 Property and equipment, net	 <u>\$ 1,256,282</u>	 <u>\$ 611,148</u>

Depreciation and amortization expense charged to operations for the years ended December 31, 2015 and 2014 totaled \$194,938 and \$153,691, 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 AECP 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 AECP has agreed to expend an amount not less than \$276,314. If at the end of the funding period, the AECP 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 AECP to refund the difference to USAID.

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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, 2015 and 2014:

December 31, 2015

	<u>Program</u>	<u>Fund Development</u>	<u>Administrative and General</u>	<u>Total</u>
Banking	\$ -	\$ 6,445	\$ 2,712	\$ 9,157
Computer expenses	4,107	6,402	16,311	26,820
Depreciation	193,591	-	1,346	194,937
Education	5,043	-	58	5,101
Equipment and supplies	138,294	12	13,040	151,346
Events and meetings	8,399	113,278	920	122,597
Insurance	8,752	-	9,029	17,781
Marketing and public relations	1,223	7,269	1,138	9,630
Office space	27,850	-	3,216	31,066
Personnel	313,926	42,600	50,855	407,381
Postage and shipping	15,304	3,425	7,126	25,855
Printing and production	110,575	52,316	2,045	164,936
Professional services	137,058	566	38,980	176,604
Taxes, licenses and fees	104	-	115	219
Telephone	-	-	2,598	2,598
Travel	31,456	-	1,452	32,908
Vehicles	1,970	6	13,352	15,328
Website	<u>1,443</u>	<u>52,820</u>	<u>-</u>	<u>54,263</u>
	<u>999,095</u>	<u>285,139</u>	<u>164,293</u>	<u>1,448,527</u>
In-kind expenses				
Physician services	11,550	-	-	11,550
Equipment and supplies	41,651	-	-	41,651
Travel	<u>8,277</u>	<u>-</u>	<u>-</u>	<u>8,277</u>
	<u>61,478</u>	<u>-</u>	<u>-</u>	<u>61,478</u>
Totals	<u>\$1,060,573</u>	<u>\$ 285,139</u>	<u>\$ 164,293</u>	<u>\$1,510,005</u>

THE ARMENIAN EYECARE PROJECT  
NOTES TO FINANCIAL STATEMENTS

NOTE 7: FUNCTIONAL EXPENSES (continued)

December 31, 2014

	<u>Program</u>	<u>Fund Development</u>	<u>Administrative and General</u>	<u>Total</u>
Banking	\$ -	\$ 3,631	\$ 2,338	\$ 5,969
Computer expenses	1,153	-	15,990	17,143
Depreciation	150,170	1,608	1,913	153,691
Dues and subscriptions	-	537	80	617
Equipment and supplies	189,332	-	10,309	199,641
Events and meetings	1,504	118,829	119	120,452
Insurance	13,720	-	5,364	19,084
Marketing and public relations	-	-	314	314
Office space	31,348	-	3,074	34,422
Personnel	309,677	45,020	48,308	403,005
Postage and shipping	3,801	13,084	6,556	23,441
Printing and production	80,444	50,618	-	131,062
Professional services	118,029	-	38,638	156,667
Taxes, licenses and fees	-	599	534	1,133
Telephone	-	-	5,233	5,233
Travel	45,894	-	-	45,894
Vehicles	8,635	-	12,358	20,993
Website	<u>1,282</u>	<u>1,600</u>	<u>407</u>	<u>3,289</u>
	<u>954,989</u>	<u>235,526</u>	<u>151,535</u>	<u>1,342,050</u>
In-kind expenses				
Physician services	13,850	-	-	13,850
Equipment and supplies	465,104	-	-	465,104
Travel	<u>7,311</u>	<u>-</u>	<u>-</u>	<u>7,311</u>
	<u>486,265</u>	<u>-</u>	<u>-</u>	<u>486,265</u>
Totals	<u>\$1,441,254</u>	<u>\$ 235,526</u>	<u>\$ 151,535</u>	<u>\$1,828,315</u>

THE ARMENIAN EYECARE PROJECT  
NOTES TO FINANCIAL STATEMENTS

NOTE 8: FAIR VALUE MEASUREMENTS

FASB ASC 820-10, Fair Value Measurement, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements for fair value measurements. It also establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets fall within three different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the assets. The three levels are defined as follows:

Level 1 – These are assets where values are based on unadjusted quoted prices in an active market for identical assets. All investments currently held by the Organization are considered to be level 1.

Level 2 – These are assets where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly. The Organization currently has no level 2 assets.

Level 3 – These are assets where there is limited activity or unobservable market prices and pricing models significant to determining fair value measurement include the reporting entity's own assumptions about market risk. The Organization currently has no level 3 inputs.

Fair value of assets measured on a recurring basis at December 31, 2015 and 2014 are as follows:

<u>December 31, 2015</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investments – registered investment companies	\$ <u>1,232,456</u>	\$ <u>1,232,456</u>
Total	\$ <u>1,232,456</u>	\$ <u>1,232,456</u>
 <u>December 31, 2014</u>		
Investments – registered investment companies	\$ <u>657,802</u>	\$ <u>657,802</u>
Total	\$ <u>657,802</u>	\$ <u>657,802</u>

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.