

THE ARMENIAN EYECARE PROJECT

FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016



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, 2017 and 2016, 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, 2017 and 2016, 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

January 29, 2019

THE ARMENIAN EYECARE PROJECT
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash	\$ 1,014,490	\$ 755,667
Investments	1,428,927	1,320,424
Pledges receivable	-	400,000
Prepaid expenses	<u>-</u>	<u>20,070</u>
Total current assets	2,443,417	2,496,161
PROPERTY AND EQUIPMENT, net	<u>878,304</u>	<u>1,002,588</u>
Total assets	<u>\$ 3,321,721</u>	<u>\$ 3,498,749</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accrued expenses	\$ <u>18,529</u>	\$ <u>15,630</u>
Total current liabilities	18,529	15,630
UNRESTRICTED NET ASSETS	<u>3,303,192</u>	<u>3,483,119</u>
Total liabilities and net assets	<u>\$ 3,321,721</u>	<u>\$ 3,498,749</u>

THE ARMENIAN EYECARE PROJECT
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>% of Revenue</u>	<u>2016</u>	<u>% of Revenue</u>
REVENUES AND GAINS				
Donations	\$ 517,829	30.36%	\$ 1,051,263	60.60%
Grants	404,515	23.72	-	-
Bequests	-	-	263,550	15.19
Special events	397,164	23.29	-	-
Donations in-kind	268,261	15.73	323,225	18.63
Interest and dividend income	36,673	2.15	33,357	1.93
Net realized and unrealized gains (losses) on investments	<u>81,150</u>	<u>4.75</u>	<u>63,384</u>	<u>3.65</u>
Total revenues and gains	<u>1,705,592</u>	<u>100.00%</u>	<u>1,734,779</u>	<u>100.00%</u>
EXPENSES				
Program	1,356,874		1,385,793	
Fund development and marketing	315,850		182,809	
Administrative and general	<u>212,795</u>		<u>179,647</u>	
Total expenses	<u>1,885,519</u>		<u>1,748,249</u>	
CHANGE IN UNRESTRICTED NET ASSETS	<u>(179,927)</u>		<u>(13,470)</u>	
UNRESTRICTED NET ASSETS, beginning	<u>3,483,119</u>		<u>3,496,589</u>	
UNRESTRICTED NET ASSETS, ending	<u>\$ 3,303,192</u>		<u>\$ 3,483,119</u>	

THE ARMENIAN EYECARE PROJECT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in unrestricted net assets	\$ (179,927)	\$ (13,470)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	251,471	255,793
Net realized and unrealized (gains) losses on investments	(81,150)	(63,384)
(Increase) decrease in:		
Pledges receivable	400,000	(400,000)
Prepaid expenses	20,070	(20,070)
Increase (decrease) in:		
Accrued expenses	<u>2,899</u>	<u>(38,701)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>413,363</u>	<u>(279,832)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments, net of investment fees	(27,353)	(24,584)
Purchases of equipment	<u>(127,187)</u>	<u>(2,099)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(154,540)</u>	<u>(26,683)</u>
NET INCREASE (DECREASE) IN CASH	258,823	(306,515)
CASH, beginning	<u>755,667</u>	<u>1,062,182</u>
CASH, ending	<u>\$ 1,014,490</u>	<u>\$ 755,667</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. All contributions received in 2017 and 2016 were unrestricted.

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 2017 and 2016.

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 2013.

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, 2017 and 2016 are recorded at fair value as summarized below:

	<u>2017</u>	<u>2016</u>
Unrestricted		
FNMA Gtd Pass thru Pool	\$ 11,926	\$ 14,630
Russell 2000 Value Index Fund	127,385	120,486
Russell 1000 Value Index Fund	122,102	110,014
Russell 1000 Growth Index Fund	73,670	57,380
Standard and Poors Depository	66,715	55,883
Ishares MSCI Emerging Markets	45,706	33,960
Western Asset Management High Income Fund	30,912	30,424
Calvert Short Duration Income Fund	46,553	45,455
Clough Global Allocation Fund	30,268	24,827
FT Templeton Global Bond A	80,072	78,025
FT Franklin Strategic Income A	44,032	42,031
Loomis Sayles Strategic Income Fund	62,212	57,872
Neuberger Strategic Income Fund	43,921	41,082
Pioneer Strategic Income Fund	43,974	41,658
Blackrock Global Allocation Fund	67,853	59,727
Ishares Floating Rate Bond	138,484	138,239
Vanguard Inter-Term Bond	133,122	131,915
Vanguard Short-Term Bond	128,617	129,186
Vanguard International Equity Index Fund	56,033	45,240
UBS Bank Business Account	<u>75,370</u>	<u>62,390</u>
Total unrestricted investments	\$ <u>1,428,927</u>	\$ <u>1,320,424</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 36,368	\$ 32,935
Net realized and unrealized gains (losses)	81,150	63,384
Investment fees	<u>(9,016)</u>	<u>(8,351)</u>
Net investment return	\$ <u>108,502</u>	\$ <u>87,968</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, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Mobile hospital	\$ 274,054	\$ 274,054
Medical equipment	3,652,497	3,525,310
Vehicles	111,387	111,387
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	 4,211,798	 4,084,611
 Less accumulated depreciation	 <u>(3,333,494)</u>	 <u>(3,082,023)</u>
 Property and equipment, net	 <u>\$ 878,304</u>	 <u>\$ 1,002,588</u>

Depreciation and amortization expense charged to operations for the years ended December 31, 2017 and 2016 totaled \$251,471 and \$255,793, 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.

THE ARMENIAN EYECARE PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 6: FUNCTIONAL EXPENSES

The following schedules summarize the functional expenses and their classification in the statements of activities for the years ended December 31, 2017 and 2016:

December 31, 2017

	<u>Program</u>	<u>Fund Development</u>	<u>Administrative and General</u>	<u>Total</u>
Banking	\$ -	\$ -	\$ 6,823	\$ 6,823
Computer expenses	8,641	10,740	42,237	61,618
Depreciation	250,516	-	955	251,471
Dues and subscriptions	-	63	126	189
Education	4,513	-	-	4,513
Equipment and supplies	151,046	-	10,847	161,893
Events and meetings	445	124,493	1,316	126,254
Insurance	7,996	-	12,464	20,460
Marketing and public relations	670	1,400	376	2,446
Office space	26,536	-	5,291	31,827
Personnel	349,782	69,430	29,978	449,190
Postage and shipping	8,389	375	5,682	14,446
Printing and production	106,469	107,694	104	214,267
Professional services	113,973	1,622	59,744	175,339
Taxes, licenses and fees	158	-	2,076	2,234
Telephone	-	-	10,538	10,538
Travel	56,751	-	6,361	63,112
Vehicles	2,728	33	14,790	17,551
Website	-	-	3,087	3,087
	<u>1,088,613</u>	<u>315,850</u>	<u>212,795</u>	<u>1,617,258</u>
In-kind expenses				
Physician services	22,550	-	-	22,550
Equipment and supplies	225,586	-	-	225,586
Travel	<u>20,125</u>	<u>-</u>	<u>-</u>	<u>20,125</u>
	<u>268,261</u>	<u>-</u>	<u>-</u>	<u>268,261</u>
Totals	<u>\$1,356,874</u>	<u>\$ 315,850</u>	<u>\$ 212,795</u>	<u>\$1,885,519</u>

THE ARMENIAN EYECARE PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 6: FUNCTIONAL EXPENSES (continued)

December 31, 2016

	<u>Program</u>	<u>Fund Development</u>	<u>Administrative and General</u>	<u>Total</u>
Banking	\$ -	\$ -	\$ 4,553	\$ 4,553
Computer expenses	710	11,874	14,616	27,200
Depreciation	254,816	-	977	255,793
Education	1,800	-	-	1,800
Equipment and supplies	172,089	-	13,944	186,033
Events and meetings	344	19,603	287	20,234
Insurance	9,130	-	10,538	19,668
Marketing and public relations	3,709	3,163	101	6,973
Office space	28,500	-	18,100	46,600
Personnel	352,870	70,800	45,633	469,303
Postage and shipping	2,576	2,003	7,239	11,818
Printing and production	77,428	56,613	3,221	137,262
Professional services	104,309	-	42,949	147,258
Taxes, licenses and fees	-	-	502	502
Telephone	-	-	3,763	3,763
Travel	45,237	-	634	45,871
Vehicles	8,874	-	12,590	21,464
Website	<u>176</u>	<u>18,753</u>	<u>-</u>	<u>18,929</u>
	<u>1,062,568</u>	<u>182,809</u>	<u>179,647</u>	<u>1,425,024</u>
In-kind expenses				
Physician services	15,400	-	-	15,400
Equipment and supplies	299,648	-	-	299,648
Travel	<u>8,177</u>	<u>-</u>	<u>-</u>	<u>8,177</u>
	<u>323,225</u>	<u>-</u>	<u>-</u>	<u>323,225</u>
Totals	<u>\$1,385,793</u>	<u>\$ 182,809</u>	<u>\$ 179,647</u>	<u>\$1,748,249</u>

THE ARMENIAN EYECARE PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 7: 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, 2017 and 2016 are as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)
<u>December 31, 2017</u>		
Investments – registered investment companies	\$ <u>1,428,927</u>	\$ <u>1,428,927</u>
Total	\$ <u>1,428,927</u>	\$ <u>1,428,927</u>
<u>December 31, 2016</u>		
Investments – registered investment companies	\$ <u>1,320,424</u>	\$ <u>1,320,424</u>
Total	\$ <u>1,320,424</u>	\$ <u>1,320,424</u>

NOTE 8: SUBSEQUENT EVENTS

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