

THE ARMENIAN EYECARE PROJECT

FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017



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, 2018 and 2017, 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, 2018 and 2017, 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

May 5, 2020

THE ARMENIAN EYECARE PROJECT
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2018 and 2017

ASSETS		
	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash	\$ 396,014	\$ 1,014,490
Investments	1,362,777	1,428,927
Prepaid expenses	1,365	-
Deposits	<u>60,680</u>	<u>-</u>
Total current assets	1,820,836	2,443,417
PROPERTY AND EQUIPMENT, net	<u>1,286,477</u>	<u>878,304</u>
	<u>\$ 3,107,313</u>	<u>\$ 3,321,721</u>

LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses	\$ <u>62,338</u>	\$ <u>18,529</u>
Total current liabilities	62,338	18,529
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>3,044,975</u>	<u>3,303,192</u>
	<u>\$ 3,107,313</u>	<u>\$ 3,321,721</u>

THE ARMENIAN EYECARE PROJECT
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>% of Revenue</u>	<u>2017</u>	<u>% of Revenue</u>
REVENUES AND GAINS WITHOUT DONOR RESTRICTIONS				
Donations	\$ 1,418,664	63.74%	\$ 517,829	30.36%
Grants	-	-	404,515	23.72
Special events	333,969	15.00	397,164	23.29
Donations in-kind	529,770	23.80	268,261	15.73
Interest and dividend income	43,231	1.94	36,673	2.15
Net realized and unrealized gains (losses) on investments	<u>(99,758)</u>	<u>(4.48)</u>	<u>81,150</u>	<u>4.75</u>
Total revenues and gains	<u>2,225,876</u>	<u>100.00%</u>	<u>1,705,592</u>	<u>100.00%</u>
EXPENSES				
Program	1,823,390		1,356,874	
Fund development and marketing	430,983		315,850	
Administrative and general	<u>229,720</u>		<u>212,795</u>	
Total expenses	<u>2,484,093</u>		<u>1,885,519</u>	
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(258,217)</u>		<u>(179,927)</u>	
NET ASSETS, beginning	<u>3,303,192</u>		<u>3,483,119</u>	
NET ASSETS, ending	<u>\$ 3,044,975</u>		<u>\$ 3,303,192</u>	

THE ARMENIAN EYECARE PROJECT
 STATEMENTS OF CASH FLOWS
 Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in unrestricted net assets	\$ (258,217)	\$ (179,927)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	302,881	251,471
Net realized and unrealized (gains) losses on investments	99,758	(81,150)
(Increase) decrease in:		
Pledges receivable	-	400,000
Prepaid expenses	(1,365)	20,070
Deposits	(60,680)	-
Increase (decrease) in:		
Accrued expenses	<u>43,809</u>	<u>2,899</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>126,186</u>	 <u>413,363</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments, net of investment fees	(33,608)	(27,353)
Purchases of equipment	<u>(711,054)</u>	<u>(127,187)</u>
 NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	 <u>(744,662)</u>	 <u>(154,540)</u>
 NET INCREASE (DECREASE) IN CASH	 (618,476)	 258,823
 CASH, beginning	 <u>1,014,490</u>	 <u>755,667</u>
 CASH, ending	 <u>\$ 396,014</u>	 <u>\$ 1,014,490</u>

THE ARMENIAN EYECARE PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 1: THE ORGANIZATION

The Armenian EyeCare Project (AECF), is a California Non-Profit Public Benefit Corporation, (the Organization). 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

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. When a donor restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor 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.

Donated services

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. Donated services for the years ended December 31, 2019 and 2018 totaled \$28,600 and \$22,550, respectively.

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.

THE ARMENIAN EYECARE PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new accounting policy

Effective January 1, 2018, the Organization adopted FASB Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. This adoption changes some terminology and adds a liquidity disclosure (see Note 4) however, it does not change the Organization's financial position or operations.

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

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 2018 and 2017.

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 2014.

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 ARMENIAN EYECARE PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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.

NOTE 3: INVESTMENTS

The Organization's investments as of December 31, 2018 and 2017 are recorded at fair value as summarized below:

	<u>2018</u>	<u>2017</u>
Unrestricted		
FNMA Gtd Pass thru Pool	\$ 9,593	\$ 11,926
Russell 2000 Value Index Fund	108,938	127,385
Russell 1000 Value Index Fund	109,051	122,102
Russell 1000 Growth Index Fund	71,608	73,670
Standard and Poors Depository	62,480	66,715
Ishares MSCI Emerging Markets	37,888	45,706
Western Asset Management High Income Fund	26,705	30,912
Calvert Short Duration Income Fund	46,751	46,553
Clough Global Allocation Fund	25,325	30,268
FT Templeton Global Bond A	81,227	80,072
FT Franklin Strategic Income A	43,313	44,032
Loomis Sayles Strategic Income Fund	60,538	62,212
Neuberger Strategic Income Fund	42,851	43,921
Pioneer Strategic Income Fund	43,276	43,974
Blackrock Global Allocation Fund	62,854	67,853
Ishares Floating Rate Bond	137,231	138,484
Vanguard Inter-Term Bond	129,089	133,122
Vanguard Short-Term Bond	127,755	128,617
Vanguard International Equity Index Fund	46,674	56,033
UBS Bank Business Account	<u>89,630</u>	<u>75,370</u>
Total unrestricted investments	<u>\$ 1,362,777</u>	<u>\$ 1,428,927</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 43,064	\$ 36,368
Net realized and unrealized gains (losses)	(99,758)	81,150
Investment fees	<u>(9,456)</u>	<u>(9,016)</u>
Net investment return	<u>\$ (66,150)</u>	<u>\$ 108,502</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: LIQUIDITY AND AVAILABILITY

The Organization has approximately \$1,759,000 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$396,000 and investments of \$1,363,000. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 5: PROPERTY AND EQUIPMENT

The balance of property and equipment as of December 31, 2018 and 2017 is summarized as follows:

	<u>2018</u>	<u>2017</u>
Mobile hospital	\$ 274,054	\$ 274,054
Medical equipment	4,347,418	3,652,497
Vehicles	111,387	111,387
Tent	12,052	12,052
Office equipment	42,447	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	 4,922,852	 4,211,798
 Less accumulated depreciation	 <u>(3,636,375)</u>	 <u>(3,333,494)</u>
 Property and equipment, net	 <u>\$ 1,286,477</u>	 <u>\$ 878,304</u>

Depreciation and amortization expense charged to operations for the years ended December 31, 2018 and 2017 totaled \$302,881 and \$251,471, respectively.

NOTE 6: 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 7: FUNCTIONAL EXPENSES

The following schedules summarize the functional expenses and their classification in the statements of activities for the years ended December 31, 2018 and 2017:

December 31, 2018

	<u>Program</u>	<u>Fund Development</u>	<u>Administrative and General</u>	<u>Total</u>
Banking	\$ 151	\$ -	\$ 5,067	\$ 5,218
Computer expenses	2,535	18,545	40,664	61,744
Depreciation	301,889	-	992	302,881
Education	21,811	-	-	21,811
Equipment and supplies	190,861	-	6,847	197,708
Events and meetings	-	166,912	159	167,071
Insurance	5,424	-	18,069	23,493
Marketing and public relations	3,062	5,511	92	8,665
Office space	46,568	-	3,864	50,432
Personnel	401,824	95,971	76,242	574,037
Postage and shipping	36,407	4,156	3,058	43,621
Printing and production	111,958	122,376	-	234,334
Professional services	112,354	11,759	49,119	173,232
Taxes, licenses and fees	130	-	2,669	2,799
Telephone	1,673	-	10,657	12,330
Travel	55,333	-	432	55,765
Vehicles	1,640	-	8,752	10,392
Website	-	<u>5,753</u>	<u>3,037</u>	<u>8,790</u>
	<u>1,293,620</u>	<u>430,983</u>	<u>229,720</u>	<u>1,954,323</u>
In-kind expenses				
Physician services	28,600	-	-	28,600
Equipment and supplies	473,549	-	-	473,549
Travel	<u>27,621</u>	<u>-</u>	<u>-</u>	<u>27,621</u>
	<u>529,770</u>	<u>-</u>	<u>-</u>	<u>529,770</u>
Totals	<u>\$1,823,390</u>	<u>\$ 430,983</u>	<u>\$ 229,720</u>	<u>\$2,484,093</u>

THE ARMENIAN EYECARE PROJECT
NOTES TO FINANCIAL STATEMENTS

NOTE 7: FUNCTIONAL EXPENSES (continued)

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 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, 2018 and 2017 are as follows:

<u>December 31, 2018</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investments – registered investment companies	\$ <u>1,362,777</u>	\$ <u>1,362,777</u>
Total	\$ <u>1,362,777</u>	\$ <u>1,362,777</u>
 <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>

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.