

Seva Foundation

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

June 30, 2016
(with summarized financial
information for June 30, 2015)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Seva Foundation

We have audited the accompanying financial statements of Seva Foundation, a nonprofit organization (the "Foundation"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 Foundation'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 Foundation'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.

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seva Foundation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

DZH Phillips LLP

San Francisco, California
September 23, 2016

Seva Foundation

STATEMENT OF FINANCIAL POSITION

June 30, 2016

(with summarized financial information for June 30, 2015)

	2016			Total	2015
	Unrestricted	Temporarily Restricted	Permanently Restricted		
ASSETS					
Cash and cash equivalents	\$ 1,187,516	\$ 1,933,224	\$ -	\$ 3,120,740	\$ 2,238,217
Cash advances	22,157	-	-	22,157	162,854
Inventory	7,823	-	-	7,823	5,886
Prepaid expenses	48,168	-	-	48,168	31,054
Receivables, net:					
Accounts	-	-	-	-	16,040
Grants	30,500	-	-	30,500	27,611
Pledges	-	1,160,000	-	1,160,000	1,200,000
Grant advances	158,867	-	-	158,867	136,841
Investments	925,269	4,264	23,000	952,533	930,302
Equipment, furniture and fixtures, net	29,571	-	-	29,571	39,246
Deposits	2,800	-	-	2,800	2,800
Total assets	\$ 2,412,671	\$ 3,097,488	\$ 23,000	\$ 5,533,159	\$ 4,790,851
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued expenses	\$ 36,286	\$ -	\$ -	\$ 36,286	\$ 43,378
Wages payable	220,332	-	-	220,332	214,799
Grants payable	270,019	-	-	270,019	907,669
Reimbursements	3,589	-	-	3,589	141,463
Deferred revenue	799,356	-	-	799,356	84,847
Due to other agencies	-	-	-	-	500
Total liabilities	1,329,582	-	-	1,329,582	1,392,656
Net assets:					
Unrestricted	1,083,089	-	-	1,083,089	771,122
Temporarily restricted	-	3,097,488	-	3,097,488	2,604,073
Permanently restricted	-	-	23,000	23,000	23,000
Total net assets	1,083,089	3,097,488	23,000	4,203,577	3,398,195
Total liabilities and net assets	\$ 2,412,671	\$ 3,097,488	\$ 23,000	\$ 5,533,159	\$ 4,790,851

The accompanying notes are an integral part of this statement.

Seva Foundation

STATEMENT OF ACTIVITIES

For the year ended June 30, 2016
(with summarized financial information for the year ended June 30, 2015)

	2016			Total	2015
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue, gains, and other support:					
Contributions	\$ 1,386,878	\$ 2,208,790	\$ -	\$ 3,595,668	\$ 3,955,034
Contributions - in-kind	173,633	299,832	-	473,465	1,330,024
Grants:					
Foundation and corporations	1,364,712	1,409,116	-	2,773,828	2,166,952
Government	171,580	-	-	171,580	167,972
Realized and unrealized gain on investments	8,173	207	-	8,380	15,605
Special events, net of direct expenses of \$179,253	91,639	-	-	91,639	97,524
Dividend income	13,911	343	-	14,254	12,966
Other income	30,241	-	-	30,241	46,829
Net assets released from restrictions	3,424,873	(3,424,873)	-	-	-
Total revenues, gains, and other support	<u>6,665,640</u>	<u>493,415</u>	<u>-</u>	<u>7,159,055</u>	<u>7,792,906</u>
Expenses:					
Program services	5,273,395	-	-	5,273,395	6,160,985
Supporting services:					
Management and general	448,923	-	-	448,923	409,671
Fundraising	631,355	-	-	631,355	566,183
Total expenses	<u>6,353,673</u>	<u>-</u>	<u>-</u>	<u>6,353,673</u>	<u>7,136,839</u>
Change in net assets	311,967	493,415	-	805,382	656,067
Net assets - beginning of year	<u>771,122</u>	<u>2,604,073</u>	<u>23,000</u>	<u>3,398,195</u>	<u>2,742,128</u>
Net assets - end of year	<u>\$ 1,083,089</u>	<u>\$ 3,097,488</u>	<u>\$ 23,000</u>	<u>\$ 4,203,577</u>	<u>\$ 3,398,195</u>

The accompanying notes are an integral part of this statement.

Seva Foundation

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2016
(with summarized financial information for the year ended June 30, 2015)

	Supporting Services		Programs					
	Management and		International		West	Aids Eye	Global	
	Administrative	Fundraising	Development Education	Pakistan	Bengal	Initiative	Sight Initiative	Nepal
Expenditures:								
Salaries	\$ 207,772	\$ 272,663	\$ 423,625	\$ 1,304	\$ 1,304	\$ 1,304	\$ 440,032	\$ 91,336
Employee - benefits	50,586	61,911	85,706	213	213	213	88,331	10,729
Advertising / recruitment	150	240	7,867	-	-	-	50	-
Bank and payroll charges	11,241	27,532	-	-	-	-	-	-
Board expense	18,910	-	-	-	-	-	-	-
Community outreach	-	-	-	-	-	-	-	145,590
Computer parts and supplies	9,652	3,174	735	-	-	-	561	-
Depreciation and amortization	9,674	-	-	-	-	-	-	-
Donor cultivation	-	32,454	502	-	-	-	-	55,000
Dues and subscriptions	11,121	951	-	-	1,467	-	29,461	-
Equipment leases	2,933	1,815	1,117	-	-	-	2,583	-
Eye camps	-	-	-	-	-	-	-	49,000
Fees /dues/ licenses	20	45,562	-	-	-	-	2,007	-
Field office expenses	-	-	-	-	-	-	275	4,319
Gifts of service	-	24,085	96,341	-	-	-	89,732	-
Grants	-	-	-	53,944	109,074	-	-	609,154
In-kind	-	23,123	150,510	-	-	15,000	88,340	39,545
Insurance	2,690	3,689	1,692	-	-	-	5,102	-
Maintenance agreements	-	2,287	-	-	-	-	-	-
Miscellaneous	2,339	2,290	32	-	-	-	496	-
Office rent and utilities	36,431	41,958	25,209	-	-	-	46,796	-
Office supplies	6,196	4,361	1,390	-	-	-	3,971	-
Other program expenses	-	-	-	-	-	5,000	647	10
Postage and delivery	794	11,849	6	-	-	16	565	-
Printing and copying	749	-	269	-	-	-	291	-
Professional services	65,516	9,370	87,224	-	-	-	510	-
Program consultants	-	-	-	-	-	105	105,375	22,729
Program equipment	-	-	-	-	-	17,901	1,331	183,754
Program evaluation / monitoring	-	-	-	-	-	-	2,720	6,636
Program training	-	-	-	-	-	-	1,056	54,290
Program travel	553	506	2,040	2,986	749	1,732	60,697	12,695
Publications	-	563	22,989	-	-	-	-	-
Repair and maintenance	2,031	-	-	-	-	-	-	-
Staff development	330	2,041	91	-	-	-	425	-
Telephone	9,235	5	26	-	-	-	1,846	5
Year end appeal	-	58,926	-	-	-	-	-	-
Total expenditures	<u>\$ 448,923</u>	<u>\$ 631,355</u>	<u>\$ 907,371</u>	<u>\$ 58,447</u>	<u>\$ 112,807</u>	<u>\$ 41,271</u>	<u>\$ 973,200</u>	<u>\$ 1,284,792</u>

The accompanying notes are an integral part of this statement.

Seva Foundation

STATEMENT OF FUNCTIONAL EXPENSES (continued)

For the year ended June 30, 2016
(with summarized financial information for the year ended June 30, 2015)

	Programs							
	India	Bangladesh	Tanzania Ethiopia Uganda	Cambodia	Guatemala	Tibet	Egypt / Magrabi	Paraguay
Expenditures:								
Salaries	\$ 9,174	\$ 1,304	\$ 1,304	\$ 98,428	\$ 1,304	\$ 77,266	\$ -	\$ -
Employee - benefits	1,987	213	213	10,409	213	4,263	-	-
Advertising / recruitment	-	-	-	-	-	-	-	-
Bank and payroll charges	-	-	-	-	-	-	-	-
Board expense	-	-	-	-	-	-	-	-
Community outreach	-	-	-	49,202	-	2,891	-	-
Computer parts and supplies	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	-	-
Donor cultivation	-	-	-	-	-	-	-	-
Dues and subscriptions	15,585	-	260	10,000	1,050	-	-	-
Equipment leases	-	-	-	-	-	-	-	-
Eye camps	-	-	-	48,000	-	39,581	-	-
Fees /dues/ licenses	-	-	-	-	-	-	-	-
Field office expenses	-	-	-	15,635	-	1,548	-	-
Gifts of service	-	-	-	-	-	-	-	-
Grants	465,944	104,986	46,175	148,925	66,021	-	34,280	21,829
In-kind	61,980	-	-	42,728	-	52,239	-	-
Insurance	-	-	-	-	-	-	-	-
Maintenance agreements	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Office rent and utilities	-	-	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-	-	-
Other program expenses	-	-	-	-	-	252	-	-
Postage and delivery	-	-	-	-	-	-	-	-
Printing and copying	-	-	-	-	-	-	-	-
Professional services	831	-	-	-	-	-	-	-
Program consultants	-	-	-	11,250	-	8,925	-	-
Program equipment	13	-	-	33,937	-	29,725	-	-
Program evaluation /monitoring	-	-	-	4,064	-	1,564	-	-
Program training	249	-	-	11,380	-	-	-	-
Program travel	39,536	1,095	2,236	2,368	372	13,144	-	-
Publications	-	-	-	-	-	-	-	-
Repair and maintenance	-	-	-	-	-	-	-	-
Staff development	-	-	-	-	-	-	-	-
Telephone	-	-	-	-	-	-	-	-
Year end appeal	-	-	-	-	-	-	-	-
Total expenditures	<u>\$ 595,299</u>	<u>\$ 107,598</u>	<u>\$ 50,188</u>	<u>\$ 486,326</u>	<u>\$ 68,960</u>	<u>\$ 231,398</u>	<u>\$ 34,280</u>	<u>\$ 21,829</u>

The accompanying notes are an integral part of this statement.

Seva Foundation

For the year ended June 30, 2016
(with summarized financial information for the year ended June 30, 2015)

	Programs			Total Programs	2016 Total	2015 Total
	Peru	Myanmar	Native American Programs			
Expenditures:						
Salaries	\$ -	\$ -	\$ 62,812	\$ 1,210,497	\$ 1,690,932	\$ 1,523,011
Employee - benefits	-	-	19,534	222,237	334,734	344,241
Advertising / recruitment	-	-	530	8,447	8,837	1,179
Bank and payroll charges	-	-	-	-	38,773	54,122
Board expense	-	-	-	-	18,910	12,002
Community outreach	-	-	-	197,683	197,683	274,159
Computer parts and supplies	-	-	-	1,296	14,122	8,887
Depreciation and amortization	-	-	-	-	9,674	9,124
Donor cultivation	-	-	-	55,502	87,956	28,754
Dues and subscriptions	950	-	1,101	59,874	71,946	13,457
Equipment leases	-	-	-	3,700	8,448	8,137
Eye camps	-	-	-	136,581	136,581	82,569
Fees /dues/ licenses	-	-	-	2,007	47,589	43,177
Field office expenses	-	-	-	21,777	21,777	10,031
Gifts of service	-	-	11,464	197,537	221,622	237,377
Grants	66,535	600	108,092	1,835,559	1,835,559	1,966,478
In-kind	-	-	-	450,342	473,465	1,330,024
Insurance	-	-	-	6,794	13,173	12,149
Maintenance agreements	-	-	-	-	2,287	5,464
Miscellaneous	-	-	3	531	5,160	3,468
Office rent and utilities	-	-	-	72,005	150,394	141,067
Office supplies	-	-	-	5,361	15,918	6,891
Other program expenses	-	-	-	5,909	5,909	6,603
Postage and delivery	-	-	219	806	13,449	11,619
Printing and copying	-	-	-	560	1,309	745
Professional services	-	-	-	88,565	163,451	81,134
Program consultants	-	-	-	148,384	148,384	172,102
Program equipment	-	17,296	-	283,957	283,957	214,163
Program evaluation /monitoring	48	-	-	15,032	15,032	20,524
Program training	-	-	-	66,975	66,975	151,688
Program travel	-	5,242	5,203	150,095	151,154	273,404
Publications	-	-	-	22,989	23,552	21,613
Repair and maintenance	-	-	-	-	2,031	959
Staff development	-	-	-	516	2,887	1,042
Telephone	-	-	-	1,877	11,117	9,826
Year end appeal	-	-	-	-	58,926	55,649
Total expenditures	\$ 67,533	\$ 23,138	\$ 208,958	\$ 5,273,395	\$ 6,353,673	\$ 7,136,839

The accompanying notes are an integral part of this statement.

Seva Foundation

STATEMENT OF CASH FLOWS

For the year ended June 30, 2016
(with summarized financial information for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows provided by (used in) operating activities:		
Change in net assets	\$ 805,382	\$ 656,067
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,674	9,124
Realized and unrealized gain on investments	(8,380)	(15,605)
Changes in operating assets and liabilities:		
Inventory	(1,937)	7,790
Prepaid expenses	(17,114)	51,183
Cash advances	140,697	(162,854)
Receivables:		
Accounts	16,040	(1,084)
Pledges	40,000	260,000
Grants	(2,889)	(6,051)
Grant advances	(22,026)	(32,980)
Accounts payable and accrued expenses	(7,091)	(6,836)
Wages payable	5,533	36,432
Grants payable	(637,650)	424,730
Reimbursements	(137,874)	141,463
Deferred revenue	714,509	(283,490)
Due to other agencies	(500)	(990,243)
Net cash provided by operating activities	<u>896,374</u>	<u>87,646</u>
Cash flows provided by (used in) investing activities:		
Purchase of investments	(13,851)	(12,855)
Purchase of equipment	-	(48,370)
Net cash used in investing activities	<u>(13,851)</u>	<u>(61,225)</u>
Net increase in cash and cash equivalents	882,523	26,421
Cash and cash equivalents - beginning of year	<u>2,238,217</u>	<u>2,211,796</u>
Cash and cash equivalents - end of year	<u>\$ 3,120,740</u>	<u>\$ 2,238,217</u>

The accompanying notes are an integral part of this statement.

Seva Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES

Seva Foundation (“Seva” or the “Foundation”) is a California nonprofit corporation. Seva Foundation has been transforming lives by restoring vision around the globe for more than 35 years. Every year, Seva provides cataract surgery, eyeglasses, and training to people in more than 20 countries. Seva finds and strengthens dedicated, capable partners. Seva’s goal is project sustainability and self-reliance so its partners can continue delivering services far into the future. Around the world, Seva helps to end preventable blindness. Seva also develops and disseminates educational /informational materials and literature to a broader audience as part of its mission to educate the public about the worldwide need for sight restoration and blindness prevention programs. During the year ended June 30, 2016, the office in Tibet was closed. Severance costs related to the office closure amounted to approximately \$82,000.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared on an accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Description of net assets

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

Unrestricted net assets

Unrestricted net assets consist of unconditional promises to give by donors without any use or time restrictions.

Temporarily restricted net assets

Temporarily restricted net assets consist of gifts of cash or other assets received from donors that specify a specific use, the occurrence of a certain future event, or the passage of time.

Permanently restricted net assets

Permanently restricted net assets consist of contributions by donors that specify the assets donated be invested to provide a permanent source of income.

Seva Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Description of net assets (continued)

Net assets also incorporates endowments as follows:

Endowments

The State of California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds. Net asset classifications of donor-restricted endowment funds subject to UPMIFA have been accounted for in these financial statements. Additional disclosures about the Foundation's endowment funds (both donor-restricted and board-designated endowment funds), have been included for the year ending June 30, 2016.

Interpretation of relevant law

The Board of the Foundation has interpreted the State of California's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts donated to the permanent endowment, and (3) additions to the permanent endowment in accordance with donor directions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets, is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending policy

If the donor does not restrict the allowed use of the income, the Foundation may determine the income's availability to the Foundation's operations. The Foundations spending policy is to not spend from the Endowment Fund until the principal amount exceeds \$3,000,000.

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Description of net assets (continued)

Endowments (continued)

Investment policy

The Foundation has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board, the endowment assets are invested in readily marketable debt and equity securities. To satisfy its long-term objectives, the Foundation relies on a strategy in which investment returns are achieved through current yield (interest and dividends) and unrealized and realized gains from changes in market value.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with Generally Accepted Accounting Principles (GAAP), deficiencies of this nature are reported in temporarily restricted or unrestricted net assets. Such deficiencies may result from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board. There were no such deficiencies at June 30, 2016.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Concentration of credit risk

The Foundation maintains its cash balances at various financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times throughout the year, the balances in these accounts may be in excess of insured amounts. The Foundation has not experienced any losses in such accounts and management believes that it is not exposed to any significant risk on these excess deposits.

Seva Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

The Foundation considers all highly liquid investments, with a maturity of three months or less at the time of purchase, to be cash equivalents. The Foundation holds its available cash in an interest bearing money market fund with a major United States bank and with a brokerage house.

Cash advances

Cash advances represent cash transferred to the Foundation's foreign offices for program services which have not been expended as of June 30, 2016. The foreign offices and their respective balances at June 30, 2016 consist of the following:

Cambodia	\$	<u>22,157</u>
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Inventory

Inventory consists of an assortment of merchandise such as t-shirts, decal stickers, and CDs sold by the Foundation on its website and is relieved on an average cost basis. Proceeds from inventory sales are used to further the Foundation's mission.

Receivables

Receivables include accounts, grants, and pledges receivable. Accounts receivable consist of trade receivables. Grants receivable consist of amounts due from government entities under cost-reimbursable sub-agreements. Pledges receivable include amount due from donors. At June 30, 2016, the Foundation had no accounts receivable.

The Foundation uses the allowance method to account for uncollectible receivables. The allowance for doubtful accounts reflects management's best estimate of the amounts that will not be collected based on historical experience and an evaluation of the outstanding receivables at year end. At June 30, 2016, all receivables are considered fully collectible therefore, there is no allowance for doubtful accounts.

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments consist of mutual funds that are recorded at their published fair market value. Unrealized and realized gains and losses are reflected as increases or decreases in unrestricted or temporarily restricted net assets, based on donor restrictions. Any marketable equity securities received by donation are sold as soon as practicable after receipt, and are classified based on the donor's intention.

Fair value measurements

The Foundation considers the use of market-based information over entity specific information in valuing its investments, using a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of the financial assets, as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- *Level 1* inputs to the valuation methodology - quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2* inputs to the valuation methodology - quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the investment.
- *Level 3* inputs to the valuation methodology - unobservable and significant to the fair value measurement. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

An asset or liability's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Equipment, furniture and fixtures

Equipment, furniture and fixtures are stated at cost less accumulated depreciation, or, if donated, at the fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets which range from three to five years. The Foundation capitalizes assets with a cost or donated value of \$5,000 or more.

Seva Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grant advances and grants payable

Unconditional grants are recognized as grant expense and a liability when the Foundation approves the grants. Unconditional grants that are expected to be paid in more than one year are measured at net realizable value. Unconditional grants that are expected to be paid in more than one year are measured at the present value of the estimated future cash flows. Grant refunds are recorded as receivable and as a reduction of grant expense at the time the Foundation becomes aware the grant will be refunded. Unconditional grants approved during the year ended June 30, 2016 for future periods amounted to \$24,219.

Grants provided on a conditional basis are recognized as grant expense and a liability when services are performed (condition is fulfilled) by the grantees. The Foundation occasionally advances funds to grantees that have not yet performed the services necessary to recognize the revenue; such funds are refundable to the Foundation and are recorded as grant advances until services are performed.

Deferred revenue

Deferred revenue includes conditional funds received in advance for which the Foundation has not performed the services necessary to earn the revenue by the year-end.

Revenue recognition

The Foundation's significant revenue streams are derived from individual and in-kind contributions, foundation grants, federal grants, and special event revenue.

Contributions and grants

Contributions and grants, including unconditional promises to give, from individuals, foundations, corporations, governments and amounts collected as part of special events, are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Unconditional promises to give, including contributions from individuals and foundation grants that are expected to be collected within one year, are recorded at their net realizable values. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time the conditions are substantially met.

Seva Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Contributions and grants (continued)

Government grant revenue is recognized as expenses are incurred under a cost-reimbursable sub-agreement. In some instances, foreign governments will provide contributions to the Foundation and, in those cases; the support is recognized as described above under “Contributions.”

Contributions - in-kind

Donations of materials are recorded as support at their fair value on the date of the donation. Donated services are recognized if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the year ended June 30, 2016, the Foundation received \$473,465 in in-kind contributions.

Advertising

Advertising costs are expensed as incurred. Advertising costs, including donated advertising of \$150,510, amounted to \$158,377.

Income taxes

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and by California Revenue and Taxation Code Section 23701(d), and accordingly, is not subject to federal and California income taxes.

Each year, management considers whether any material tax position the Foundation has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Foundation has taken are supported by substantial authority, and hence, do not need to be measured or disclosed in these financial statements.

Seva Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional allocation of expenses

The Foundation's costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Direct costs associated with specific programs are recorded as program expenses. Program expenses include allocable management and general expenses. Management and general expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation, are shown separately.

Summarized financial information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements, as of, and for the year ended June 30, 2015, from which the summarized information was derived.

Subsequent events

Management has evaluated subsequent events and transactions for potential recognition or disclosure through the date the financial statements are available to be issued, September 23, 2016.

NOTE C – PLEDGES RECEIVABLE

At June 30, 2016, pledges receivable are due as follows:

Receivable in less than one year	\$ 1,130,000
Receivable in two to three years	<u>30,000</u>
	<u>\$ 1,160,000</u>

Seva Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2016

NOTE D – INVESTMENTS

At June 30, 2016, investments consisted of the following:

Equity index mutual fund	\$ 320,050
Bond index mutual fund	<u>632,483</u>
	<u>\$ 952,533</u>

The Foundation's investments are measured on a recurring basis using quoted prices in active markets for identical assets (level 1).

NOTE E – EQUIPMENT, FURNITURE AND FIXTURES

At June 30, 2016, equipment, furniture and fixtures are comprised of the following:

Leasehold improvements	\$ 47,104
Furniture and equipment	99,344
Vehicles	<u>33,330</u>
	179,778
Accumulated depreciation and amortization	<u>(150,207)</u>
	<u>\$ 29,571</u>

For the year ended June 30, 2016, depreciation expense amounted to \$9,674.

Seva Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2016

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2016, temporarily restricted net assets consisted of the following:

GSI/Sight Programs	\$ 2,933,224
Future periods	160,000
Endowment earnings	<u>4,264</u>
	<u>\$ 3,097,488</u>

During the year ended June 30, 2016, temporarily restricted net assets were released from the following restrictions:

GSI/Sight Programs	\$ 3,294,873
Future funding	<u>130,000</u>
	<u>\$ 3,424,873</u>

NOTE G – ENDOWMENT

The Foundation's endowments consist of permanently restricted donations for general endowment purposes, in addition to unrestricted funds designated by the Board to function as a general endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

At June 30, 2016, endowment net assets are classified as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Donor - restricted endowment funds	\$ -	\$ 4,264	\$ 23,000	\$ 27,264
Board - designated funds	<u>925,269</u>	<u>-</u>	<u>-</u>	<u>925,269</u>
Total funds	<u>\$ 925,269</u>	<u>\$ 4,264</u>	<u>\$ 23,000</u>	<u>\$ 952,533</u>

Seva Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2016

NOTE G – ENDOWMENT (continued)

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, beginning of year	\$ 903,588	\$ 3,714	\$ 23,000	\$ 930,302
Unrealized and realized gain on investments	8,173	207	-	8,380
Dividend income reinvested	13,508	343	-	13,851
Endowment net assets, end of year	<u>\$ 925,269</u>	<u>\$ 4,264</u>	<u>\$ 23,000</u>	<u>\$ 952,533</u>

NOTE H – LEASE OBLIGATIONS

The Foundation has various operating leases with original terms of greater than one year for equipment and office space. Future minimum lease payments are as follows:

<u>Year ended June 30,</u>	
2017	\$ 150,118
2018	53,547
2019	4,188
2020	4,188
2021	<u>3,839</u>
	<u>\$ 215,880</u>

Total rent expense amounted to \$146,543 for the year ended June 30, 2016.

NOTE I – LINE OF CREDIT

The Foundation had a \$400,000 unsecured line of credit with Bank of Marin, which expires in October 2016, and is currently in the process of being renewed. The line provides for interest at the Bank's prime rate plus 1.5%. The loan agreement specifies certain financial and other covenants. At June 30, 2016, there was no outstanding balance on the line of credit.

Seva Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2016

NOTE J – IN-KIND CONTRIBUTIONS

For the year ended June 30, 2016, in-kind contributions were as follows:

Advertising	\$ 150,510
System and business management consultants	125,580
Field office salaries	106,712
Eye glass frames	45,425
Physicians	27,800
Other equipment/supplies	17,438
	<u>\$ 473,465</u>

NOTE K – MULTI-YEAR GRANTS

The Foundation has received several multi-year unconditional grants. The revenue from these grants is recorded when the pledge/promise to give is received. For the fiscal year ended June 30, 2016, the Foundation recognized approximately \$1,150,000 of expenses associated with unconditional, but temporarily restricted, grant revenue recognized in previous years.

NOTE L – RETIREMENT PLAN

The Foundation has established a Retirement Annuity Plan (the “Plan”) for its employees under Section 403(b) of the Internal Revenue Code. The Plan provides for an employer contribution of five percent (5%) of an employee’s earnings after one year of service. Employer contributions to the Plan totaled \$60,776 in the year ended June 30, 2016.

NOTE M – CONCENTRATIONS

At June 30, 2016, the Foundation had one donor representing approximately 86% of pledges receivable. For the year ended June 30, 2016, the Foundation had two donors representing approximately 35% of contribution revenue.