



Certified Public Accountants
and Financial Advisors

Seva Foundation

Financial Statements

June 30, 2018

(with summarized financial information
for June 30, 2017)

INDEX TO FINANCIAL STATEMENTS

Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows	8
Notes to Financial Statements	9

INDEPENDENT AUDITOR'S 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, 2018, 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.

Auditor's 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 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 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.



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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of the Foundation, as of and for the year ended June 30, 2017, were audited by DZH Phillips LLP, who merged with Squar Milner LLP as of January 1, 2018, and whose report dated October 17, 2017, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

SQUAR MILNER LLP

San Francisco, California
October 10, 2018

SEVA FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2018
(with summarized financial information for June 30, 2017)

	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
ASSETS					
Cash and cash equivalents	\$ 15,317	\$ 2,394,165	\$ -	\$ 2,409,482	\$ 6,653,098
Cash advances	98,429	-	-	98,429	68,385
Inventory	11,075	-	-	11,075	6,100
Prepaid expenses	106,152	-	-	106,152	68,363
Receivables - net:					
Accounts	45,549	-	-	45,549	12,677
LLC distributions	-	-	-	-	120,235
Grants	135,871	-	-	135,871	13,800
Bequests	127,343	-	-	127,343	125,070
Pledges	-	831,087	-	831,087	2,787,864
Note receivable	279,086	-	-	279,086	-
Grant advances	430,474	-	-	430,474	228,120
Investments	32,084,331	40,314	1,023,000	33,147,645	2,033,617
Interest in LLC	-	-	-	-	25,340,000
Property and equipment - net	151,243	-	-	151,243	719,898
Deposits	2,800	-	-	2,800	2,800
Total assets	<u>\$33,487,670</u>	<u>\$ 3,265,566</u>	<u>\$ 1,023,000</u>	<u>\$37,776,236</u>	<u>\$38,180,027</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued expenses	\$ 77,998	\$ -	\$ -	\$ 77,998	\$ 18,797
Wages payable	308,028	-	-	308,028	258,327
Grants payable	133,581	-	-	133,581	249,164
Reimbursements	90,584	-	-	90,584	70,570
Deferred revenue	295,366	-	-	295,366	224,168
Total liabilities	<u>905,557</u>	<u>-</u>	<u>-</u>	<u>905,557</u>	<u>821,026</u>
Net assets:					
Unrestricted					
Undesignated	497,782	-	-	497,782	30,774,374
Board designated reserves	32,084,331	-	-	32,084,331	2,004,348
Temporarily restricted	-	3,265,566	-	3,265,566	3,557,279
Permanently restricted	-	-	1,023,000	1,023,000	1,023,000
Total net assets	<u>32,582,113</u>	<u>3,265,566</u>	<u>1,023,000</u>	<u>36,870,679</u>	<u>37,359,001</u>
Total liabilities and net assets	<u>\$33,487,670</u>	<u>\$ 3,265,566</u>	<u>\$ 1,023,000</u>	<u>\$37,776,236</u>	<u>\$38,180,027</u>

SEVA FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018
(with summarized financial information for June 30, 2017)

	2018			Total	2017
	Unrestricted	Temporarily Restricted	Permanently Restricted		
SUPPORT AND REVENUE					
Contributions	\$ 1,978,953	\$ 2,601,587	\$ -	\$ 4,580,540	\$ 10,067,233
Contributions - in-kind	284,879	295,669	-	580,548	26,591,602
Grants:					
Foundation and corporations	889,094	156,601	-	1,045,695	2,937,660
Agency	520,417	-	-	520,417	496,130
Government	27,600	-	-	27,600	41,399
Realized and unrealized gains on investments	494,875	16,400	-	511,275	52,632
Rental income - LLC	-	-	-	-	824,203
Special events, net of direct expenses of \$96,875 and \$123,754, respectively	(35,294)	-	-	(35,294)	100,645
Dividend income	534,594	17,645	-	552,239	31,740
Realized gain on sale of property	580	-	-	580	-
Other income	10,169	-	-	10,169	11,532
Net assets released from restrictions	3,379,615	(3,379,615)	-	-	-
TOTAL SUPPORT AND REVENUE	8,085,482	(291,713)	-	7,793,769	41,154,776
EXPENSES:					
Program services	6,184,028	-	-	6,184,028	6,179,205
Supporting services:					
Management and general	1,005,832	-	-	1,005,832	733,815
Fundraising	1,092,231	-	-	1,092,231	1,086,332
TOTAL EXPENSES	8,282,091	-	-	8,282,091	7,999,352
Change in net assets	(196,609)	(291,713)	-	(488,322)	33,155,424
Net assets - beginning of year	32,778,722	3,557,279	1,023,000	37,359,001	4,203,577
Net assets - end of year	<u>\$ 32,582,113</u>	<u>\$ 3,265,566</u>	<u>\$ 1,023,000</u>	<u>\$ 36,870,679</u>	<u>\$ 37,359,001</u>

SEVA FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018
(with summarized financial information for June 30, 2017)

	Supporting Services		Programs						
	Management and		International		Aids Eye	Global		Seeing	
	Administrative	Fundraising	Development	Pakistan	Initiative	Sight	Nepal	India	is Believing
			Education			Initiative		India	
Expenditures:									
Salaries	\$ 215,510	\$ 331,812	\$ 267,460	\$ 1,410	\$ 1,410	\$ 644,005	\$ 105,603	\$ 11,333	\$ 12,752
Employee benefits	95,088	77,079	56,283	193	192	137,830	5,827	1,585	-
Advertising / recruitment	17,793	885	-	-	-	176	-	-	-
Annual report	-	149	-	-	-	-	-	-	-
Bank and payroll charges	12,583	28,675	-	-	-	-	-	-	-
Board expense	44,303	-	-	-	-	-	-	-	-
Community outreach	-	-	-	-	-	-	171,332	-	-
Computer parts and supplies	1,322	3,940	-	-	-	3,439	-	-	1,245
Consultant volunteer travel	-	-	-	-	2,895	13,168	2,351	17,429	5,220
Depreciation and amortization	12,505	-	-	-	-	-	-	-	-
Donor advised grant payments	-	250	-	-	-	-	-	-	-
Donor cultivation	-	68,094	-	-	-	-	-	-	-
Dues and subscriptions	18,976	4,868	-	-	-	366	-	-	-
Dues, subscriptions, & conference fees	-	-	-	-	-	23,871	11,056	10,000	1,839
Equipment leases	3,266	2,071	618	-	-	2,816	-	-	-
Eye camps	-	-	-	-	-	-	10,000	-	-
Fees /dues/ licenses	5,651	46,418	-	-	-	2,849	-	-	-
Field office expenses	-	-	-	-	-	76	225	-	-
Appeals - Gifts of Sight	-	131,294	-	-	-	-	-	-	-
Grants	-	-	-	54,125	-	100,371	179,849	794,753	210,214
In-kind:									
Advertising	139,640	139,640	-	-	-	-	-	-	-
Glasses and supplies	-	-	-	-	-	222,862	-	-	-
System and business consultants	-	-	-	-	-	-	21,885	13,013	-
Volunteer services and physicians	5,999	-	-	-	-	-	-	-	-
Insurance	4,166	4,802	2,523	-	-	6,530	-	-	-
Maintenance agreements	-	9,775	-	-	-	-	-	-	-
Miscellaneous	640	162	-	-	-	107	-	-	-
Newsletter	-	22,600	-	-	-	-	-	-	-
Office rent and utilities	39,362	45,043	13,585	-	-	58,342	-	-	-
Office supplies	7,944	7,318	-	-	-	5,353	-	-	-
Other program expenses	-	-	-	-	-	930	-	-	-
Postage and delivery	730	13,999	-	-	-	95	-	-	-
Printing and copying	979	808	-	-	-	-	-	-	-
Professional services	349,115	55,051	56,415	-	-	100,258	-	-	-
Program consultants	-	-	-	-	-	69,900	15,000	-	-
Program equipment	-	-	-	-	-	-	89,869	-	-
Program evaluation / monitoring	-	-	-	-	-	-	4,897	-	-
Program training	-	-	-	-	6,079	-	64,362	-	-
Property tax	10,275	-	-	-	-	-	-	-	-
Publications	-	13,077	2,455	-	-	-	-	-	-
Repair and maintenance	1,355	-	-	-	-	-	-	-	-
Sales tax	-	304	-	-	-	-	-	-	-
Staff development	8,238	3,450	-	-	-	891	-	-	-
Telephone	9,262	-	-	-	-	10	-	-	1,246
Travel - non program staff	1,130	642	-	-	-	73	-	-	-
Travel - program staff	-	-	-	-	562	21,626	6,561	4,861	6,447
Year end appeal	-	80,025	-	-	-	-	-	-	-
Total expenditures	\$ 1,005,832	\$ 1,092,231	\$ 399,339	\$ 55,728	\$ 11,138	\$ 1,415,944	\$ 688,817	\$ 852,974	\$ 238,963

(continued)

SEVA FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018
(with summarized financial information for June 30, 2017)

	Programs							
	Bangladesh	Tanzania Ethiopia Uganda	Cambodia	Seeing is Believing Cambodia	Guatemala	Tibet	Egypt / Magrabi	Paraguay
Expenditures:								
Salaries	\$ 1,410	\$ 1,410	\$ 125,262	\$ 12,500	\$ 1,410	\$ -	\$ -	\$ -
Employee benefits	193	193	5,131	-	193	-	-	-
Advertising / recruitment	-	-	-	-	-	-	-	-
Annual report	-	-	-	-	-	-	-	-
Bank and payroll charges	-	-	-	-	-	-	-	-
Board expense	-	-	-	-	-	-	-	-
Community outreach	-	-	59,364	115,382	-	-	-	-
Computer parts and supplies	-	-	-	-	-	-	-	-
Consultant volunteer travel	-	1,488	3,608	-	3,317	-	-	-
Depreciation and amortization	-	-	-	-	-	-	-	-
Donor advised grant payments	-	-	-	-	-	-	-	-
Donor cultivation	-	-	-	-	-	-	-	-
Dues and subscriptions	-	-	-	-	-	-	-	-
Dues, subscriptions, & conference fees	-	-	16,000	-	28,903	-	-	-
Equipment leases	-	-	-	-	-	-	-	-
Eye camps	-	-	57,700	-	-	-	-	-
Fees /dues/ licenses	-	-	-	-	-	-	-	-
Field office expenses	-	-	1,866	2,400	-	-	-	-
Appeals - Gifts of Sight	-	-	-	-	-	-	-	-
Grants	182,792	456,389	145,073	15,574	326,526	255,505	30,000	20,150
In-kind:								
Advertising	-	-	-	-	-	-	-	-
Glasses and supplies	-	-	-	-	-	-	-	-
System and business consultants	-	-	37,509	-	-	-	-	-
Volunteer services and physicians	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Maintenance agreements	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Newsletter	-	-	-	-	-	-	-	-
Office rent and utilities	-	-	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-	-	-
Other program expenses	-	-	-	-	-	-	-	-
Postage and delivery	-	-	-	-	-	-	-	-
Printing and copying	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-
Program consultants	-	-	18,000	-	-	7,500	-	-
Program equipment	-	-	88,280	-	-	-	-	-
Program evaluation / monitoring	-	-	2,310	1,890	-	-	-	-
Program training	-	-	10,912	20,549	1,752	-	-	-
Property tax	-	-	-	-	-	-	-	-
Publications	-	-	-	-	-	-	-	-
Repair and maintenance	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-
Staff development	-	-	-	-	-	-	-	-
Telephone	-	-	-	-	-	-	-	-
Travel - non program staff	-	-	-	-	-	-	-	-
Travel - program staff	1,393	-	2,680	-	4,696	2,954	-	-
Year end appeal	-	-	-	-	-	-	-	-
Total expenditures	<u>\$ 185,788</u>	<u>\$ 459,480</u>	<u>\$ 573,695</u>	<u>\$ 168,295</u>	<u>\$ 366,797</u>	<u>\$ 265,959</u>	<u>\$ 30,000</u>	<u>\$ 20,150</u>

(continued)

SEVA FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018
(with summarized financial information for June 30, 2017)

	Programs				Total Program Services	2018 Total	2017 Total
	Mexico	Peru	Myanmar	Native American Programs			
Expenditures:							
Salaries	\$ -	\$ -	\$ 1,067	\$ 103,890	\$ 1,290,922	\$ 1,838,244	\$ 2,055,521
Employee benefits	-	-	-	20,367	227,987	400,154	367,250
Advertising / recruitment	-	-	-	-	176	18,854	50,058
Annual report	-	-	-	-	-	149	-
Bank and payroll charges	-	-	-	-	-	41,258	42,895
Board expense	-	-	-	-	-	44,303	16,480
Community outreach	-	-	-	-	346,078	346,078	276,139
Computer parts and supplies	-	-	-	-	4,684	9,946	21,305
Consultant volunteer travel	-	3,945	268	1,077	54,766	54,766	-
Depreciation and amortization	-	-	-	-	-	12,505	9,674
Donor advised grant payments	-	-	-	-	-	250	-
Donor cultivation	-	-	-	-	-	68,094	29,370
Dues and subscriptions	-	-	-	-	366	24,210	111,057
Dues, subscriptions, & conference fees	-	-	-	4,051	95,720	95,720	-
Equipment leases	-	-	-	-	3,434	8,771	8,477
Eye camps	-	-	-	-	67,700	67,700	65,894
Fees /dues/ licenses	-	-	-	-	2,849	54,918	51,704
Field office expenses	-	-	1,145	-	5,712	5,712	17,650
Appeals - Gifts of Sight	-	-	-	-	-	131,294	169,856
Grants	13,000	122,900	48,351	28,504	2,984,076	2,984,076	3,025,238
In-kind:							
Advertising	-	-	-	-	-	279,280	280,963
Glasses and supplies	-	-	-	-	222,862	222,862	70,940
System and business consultants	-	-	-	-	72,407	72,407	124,278
Volunteer services and physicians	-	-	-	-	-	5,999	75,421
Insurance	-	-	-	-	9,053	18,021	15,891
Maintenance agreements	-	-	-	-	-	9,775	9,272
Miscellaneous	-	-	-	-	107	909	1,046
Newsletter	-	-	-	-	-	22,600	-
Office rent and utilities	-	-	-	-	71,927	156,332	155,314
Office supplies	-	-	-	-	5,353	20,615	14,126
Other program expenses	-	-	-	249	1,179	1,179	124
Postage and delivery	-	-	-	228	323	15,052	7,866
Printing and copying	-	-	-	-	-	1,787	1,496
Professional services	-	-	-	250	156,923	561,089	178,593
Program consultants	-	-	10,000	-	120,400	120,400	134,835
Program equipment	-	-	49,250	17,180	244,579	244,579	247,595
Program evaluation / monitoring	-	6,829	-	-	15,926	15,926	23,440
Program training	-	-	6,571	-	110,225	110,225	84,145
Property tax	-	-	-	-	-	10,275	3,159
Publications	-	-	-	-	2,455	15,532	29,466
Repair and maintenance	-	-	-	-	-	1,355	1,532
Sales tax	-	-	-	-	-	304	-
Staff development	-	-	-	205	1,096	12,784	5,843
Telephone	-	-	-	-	1,256	10,518	144,031
Travel - non program staff	-	-	-	-	73	1,845	10,295
Travel - program staff	895	-	3,212	7,527	63,414	63,414	-
Year end appeal	-	-	-	-	-	80,025	61,113
Total expenditures	\$ 13,895	\$ 133,674	\$ 119,864	\$ 183,528	\$ 6,184,028	\$ 8,282,091	\$ 7,999,352

SEVA FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018
(with summarized financial information for June 30, 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (488,322)	\$ 33,155,424
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributed interest in LLC	-	(25,340,000)
Contributed properties	-	(700,000)
Depreciation and amortization	12,505	9,674
Realized and unrealized gains on property and investments	(511,855)	(52,632)
Changes in operating assets and liabilities:		
Cash advances	(30,044)	(46,228)
Inventory	(4,975)	1,723
Prepaid expenses	(37,789)	(20,195)
Receivables	1,919,796	(1,869,146)
Grant advances	(202,354)	(69,253)
Accounts payable and accrued expenses	59,201	(17,489)
Wages payable	49,701	37,995
Grants payable	(115,583)	(20,855)
Reimbursements	20,014	66,981
Deferred revenue	71,198	(575,188)
	<u>741,493</u>	<u>4,560,811</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Payment on note receivable	336	-
Proceeds from sale of interest in LLC	25,340,000	-
Proceeds from the sale of property	296,154	-
Purchase of investments	(30,602,753)	(1,028,453)
Purchase of property and equipment	(18,846)	-
	<u>(4,985,109)</u>	<u>(1,028,453)</u>
Net cash used in investing activities		
	<u>(4,985,109)</u>	<u>(1,028,453)</u>
Net (decrease) increase in cash and cash equivalents	<u>(4,243,616)</u>	<u>3,532,358</u>
Cash and cash equivalents - beginning of year	<u>6,653,098</u>	<u>3,120,740</u>
Cash and cash equivalents - end of year	<u><u>\$ 2,409,482</u></u>	<u><u>\$ 6,653,098</u></u>
Supplemental cash flow information:		
Non-cash transaction -		
Property sold in exchange for note receivable	<u>\$ (279,422)</u>	<u>\$ -</u>
Contributed interest in LLC	<u>\$ -</u>	<u>\$ 25,340,000</u>
Contributed properties	<u>\$ -</u>	<u>\$ 700,000</u>

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. 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 40 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.

2. 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.

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, 2018.

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Endowments (continued)

Interpretation of Relevant Law

The Board of the Foundation has interpreted 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.

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 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, 2018.

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 brokerage houses.

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, 2018. The foreign offices and their respective balances at June 30, 2018 consist of the following:

Nepal	\$	17,456
Cambodia		<u>80,973</u>
	\$	<u>98,429</u>

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, bequests, and pledges receivable. Accounts receivable consist of trade receivables. Grants receivable consist of amounts due from government entities under cost-reimbursable sub-agreements. Pledges and bequests receivable include amounts due from donors or bequests.

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables (continued)

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, 2018, all receivables are considered fully collectible therefore, there is no allowance for doubtful accounts.

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.

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.

Property and Equipment

Land, buildings, and equipment 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 3 to 5 years. The Foundation capitalizes assets with a cost or donated value of \$5,000 or more and an estimated life greater than one year.

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

2. 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, which is calculated using 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, 2018, for future periods amounted to \$13,581.

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, 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.

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."

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions - in-Kind

Marketable equity securities, property or investments received by donation are sold as soon as practicable after receipt, and are classified based on the donor's intention.

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, 2018, the Foundation received \$580,548 in in-kind contributions (refer to Note 10).

Advertising

Advertising costs are expensed as incurred. For the year ended June 30, 2018, advertising costs totaled \$297,734, of which \$279,280 was donated.

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.

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, 2017, from which the summarized information was derived.

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain reclassifications have been made in prior years' financial statements to conform to classifications used in the current year.

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, October 10, 2018.

New Accounting Pronouncements

In August of 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) No. 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). ASU 2016-14 changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. ASU 2016-14 requires amended presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Foundation is in the process of assessing the potential impact of this guidance on its financial statements.

3. PLEDGES RECEIVABLE

At June 30, 2018, pledges receivable are due as follows:

Receivable in less than one year	\$ 701,087
Receivable in two to five years	<u>130,000</u>
	<u>\$ 831,087</u>

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

4. NOTE RECEIVABLE

On April 12, 2018, the Foundation sold certain real property in Sonoma, California. The Foundation financed part of the sale with a \$279,422 note receivable. The 30 year note includes monthly principal and interest payments of \$1,500, bears interest of 5% per year, and is secured by a deed of trust. Future minimum receipts (principal and interest) are as follows:

<u>Year ended June 30,</u>	
2019	\$ 18,000
2020	18,000
2021	18,000
2022	18,000
2023	18,000
Thereafter	<u>449,664</u>
Less: interest	<u>(260,578)</u>
	<u>\$ 279,086</u>

5. INVESTMENTS

At June 30, 2018, investments consisted of the following:

Equity index mutual fund	\$ 10,451,852
Bond index mutual fund	<u>22,695,793</u>
	<u>\$ 33,147,645</u>

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

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

6. PROPERTY AND EQUIPMENT

At June 30, 2018, property and equipment are comprised of the following:

Land	\$ 53,750
Building	71,250
Leasehold improvements	47,104
Furniture and equipment	<u>151,524</u>
	323,628
Accumulated depreciation and amortization	<u>(172,385)</u>
	<u>\$ 151,243</u>

For the year ended June 30, 2018, depreciation expense amounted to \$12,505.

7. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2018, temporarily restricted net assets consisted of the following:

GSI/Sight Prgrams	\$ 3,154,290
Future periods	70,962
Endowment earnings	<u>40,314</u>
	<u>\$ 3,265,566</u>

During the year ended June 30, 2018, temporarily restricted net assets were released from the following purposes:

GSI/Sight Prgrams	\$ 3,258,640
Future periods	<u>120,975</u>
	<u>\$ 3,379,615</u>

8. 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.

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

8. ENDOWMENT (continued)

At June 30, 2018, 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	\$ -	\$ 40,314	\$ 1,023,000	\$ 1,063,314
Board - designated funds	<u>32,084,331</u>	<u>-</u>	<u>-</u>	<u>32,084,331</u>
Total funds	<u>\$ 32,084,331</u>	<u>\$ 40,314</u>	<u>\$ 1,023,000</u>	<u>\$ 33,147,645</u>

Changes in endowment net assets for the year ended June 30, 2018, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets - beginning of year	\$ 2,004,348	\$ 6,269	\$ 1,023,000	\$ 3,033,617
Board designations	29,052,691	-	-	29,052,691
Unrealized and realized gain on investments	494,875	16,400	-	511,275
Dividend income reinvested	<u>532,417</u>	<u>17,645</u>	<u>-</u>	<u>550,062</u>
Endowment net assets - end of year	<u>\$ 32,084,331</u>	<u>\$ 40,314</u>	<u>\$ 1,023,000</u>	<u>\$ 33,147,645</u>

9. LEASE OBLIGATIONS

The Foundation leases facilities under various leases requiring monthly payments ranging from approximately \$1,200 to \$5,300, expiring at various dates through October 2020. The Foundation also maintains leases for office equipment with payments ranging from approximately \$200 to \$350 and expiring through May 2021. Future minimum lease payments for facilities and equipment are as follows:

<u>Year ended June 30,</u>	<u>Facilities</u>	<u>Equipment</u>	<u>Total</u>
2019	\$ 147,000	\$ 7,229	\$ 154,229
2020	148,800	6,310	155,110
2021	<u>49,800</u>	<u>3,730</u>	<u>53,530</u>
	<u>\$ 345,600</u>	<u>\$ 17,269</u>	<u>\$ 362,869</u>

Total rent expense amounted to \$152,428 for the year ended June 30, 2018.

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

10. IN-KIND CONTRIBUTIONS

For the year ended June 30, 2018, in-kind contributions were as follows:

Advertising	\$ 279,280
Glasses and supplies	222,862
System and business consultants	72,407
Volunteer services and physicians	<u>5,999</u>
	<u>\$ 580,548</u>

11. 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, 2018, the Foundation recognized approximately \$421,000 of expenses associated with unconditional, but purpose restricted, grant revenue recognized in previous years.

On January 12, 2016, the Foundation received two agency grant awards from Standard Chartered Bank's "Seeing is Believing" program ("SIB"). This program's mission is to treat avoidable blindness and visual impairment by improving access to affordable and quality eye care. The Foundation partnered with SIB in India and Cambodia. For the year ended June 30, 2018, the Foundation received \$169,915 in grants for Cambodia and \$343,279 in grants for India; of which the Foundation implemented projects of \$168,295 and \$238,962, respectively.

12. RETIREMENT PLAN

The Foundation has established a defined contributions plan (the "Plan") operating under Section 401(k) of the Internal Revenue Code. Employees are eligible to participate in the Plan after 12 months of service. For the year ended June 30, 2018, the Foundation elected to make a discretionary contribution of \$79,988 to the Plan.

13. CONCENTRATIONS

At June 30, 2018, the Foundation had two donors representing approximately 84% of pledges receivable.