



Certified Public Accountants
and Financial Advisors

SEVA FOUNDATION

Financial Statements

June 30, 2019

(with summarized financial
information for June 30, 2018)

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Seva Foundation

Report on the Financial Statements

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, 2019, 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, 2019, 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

We have previously audited the Foundation's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

SQUAR MILNER LLP

San Francisco, California
October 3, 2019

SEVA FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2019
(with summarized financial information for June 30, 2018)

	2019				2018
	Without Donor Restrictions	With Donor Restrictions		Total	
		Purpose and Time	Perpetual In Nature		
ASSETS					
Cash and cash equivalents	\$ 97,456	\$ 900,000	\$ -	\$ 997,456	\$ 2,409,482
Cash advances	43,294	-	-	43,294	98,429
Inventory	7,764	-	-	7,764	11,075
Prepaid expenses	104,017	-	-	104,017	106,152
Receivables:					
Accounts	13,847	-	-	13,847	45,549
Grants	50,833	-	-	50,833	135,871
Bequests	-	-	-	-	127,343
Pledges	-	689,920	-	689,920	831,087
Note receivable	274,947	-	-	274,947	279,086
Grant advances	320,599	-	-	320,599	430,474
Investments	33,413,282	815,764	1,023,000	35,252,046	33,147,645
Property and equipment - net	146,457	-	-	146,457	151,243
Deposits	2,800	-	-	2,800	2,800
Total assets	<u>\$34,475,296</u>	<u>\$ 2,405,684</u>	<u>\$ 1,023,000</u>	<u>\$37,903,980</u>	<u>\$37,776,236</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued expenses	\$ 135,420	\$ -	\$ -	\$ 135,420	\$ 77,998
Wages payable	342,726	-	-	342,726	308,028
Grants payable	33,560	-	-	33,560	133,581
Reimbursements	-	-	-	-	90,584
Deferred revenue	102,548	-	-	102,548	295,366
Total liabilities	<u>614,254</u>	<u>-</u>	<u>-</u>	<u>614,254</u>	<u>905,557</u>
Net assets:					
Without donor restrictions					
Undesignated	519,802	-	-	519,802	497,782
Board designated reserves	33,341,240	-	-	33,341,240	32,084,331
With donor restrictions					
Purpose and time restricted	-	2,405,684	-	2,405,684	3,265,566
Perpetual in nature	-	-	1,023,000	1,023,000	1,023,000
Total net assets	<u>33,861,042</u>	<u>2,405,684</u>	<u>1,023,000</u>	<u>37,289,726</u>	<u>36,870,679</u>
Total liabilities and net assets	<u>\$34,475,296</u>	<u>\$ 2,405,684</u>	<u>\$ 1,023,000</u>	<u>\$37,903,980</u>	<u>\$37,776,236</u>

SEVA FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019
(with summarized financial information for June 30, 2018)

	2019				2018
	Without Donor Restrictions	With Donor Restrictions		Total	
		Purpose and Time	Perpetual In Nature		
SUPPORT AND REVENUE					
Contributions	\$ 1,355,480	\$ 2,707,926	\$ -	\$ 4,063,406	\$ 4,580,540
Contributions - in-kind	101,841	181,532	-	283,373	580,548
Grants:					
Foundation and corporations	404,275	529,397	-	933,672	1,045,695
Agency	753,404	-	-	753,404	520,417
Government	-	-	-	-	27,600
Realized and unrealized gains on investments	1,334,397	(26,693)	-	1,307,704	511,275
Special events, net of direct expenses of \$296,755 and \$96,875, respectively	125,354	-	-	125,354	(35,294)
Dividend income	922,516	24,185	-	946,701	552,239
Realized gain on sale of property	-	-	-	-	580
Other income	25,758	-	-	25,758	10,169
Net assets released from restrictions	4,276,229	(4,276,229)	-	-	-
TOTAL SUPPORT AND REVENUE	9,299,254	(859,882)	-	8,439,372	7,793,769
EXPENSES:					
Program services	5,957,054	-	-	5,957,054	6,184,028
Supporting services:					
Management and general	889,280	-	-	889,280	1,005,832
Fundraising	1,173,991	-	-	1,173,991	1,092,231
TOTAL EXPENSES	8,020,325	-	-	8,020,325	8,282,091
Change in net assets	1,278,929	(859,882)	-	419,047	(488,322)
Net assets - beginning of year	32,582,113	3,265,566	1,023,000	36,870,679	37,359,001
Net assets - end of year	\$ 33,861,042	\$ 2,405,684	\$ 1,023,000	\$ 37,289,726	\$ 36,870,679

SEVA FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019
(with summarized financial information for June 30, 2018)

	Supporting Services		Programs				
	Management and Administrative	Fundraising	International Development Education	Pakistan	Aids Eye Initiative	Global Sight Initiative	Nepal
Expenditures:							
Salaries	\$ 284,613	\$ 422,632	\$ 108,666	\$ 1,517	\$ 1,517	\$ 663,146	\$ 112,186
Employee benefits	86,306	107,715	28,448	204	204	133,924	5,871
Advertising / recruitment	2,880	634	188	-	-	5,805	-
Annual report	-	-	-	-	-	-	-
Bank and payroll charges	8,565	34,427	-	-	-	-	-
Board expense	54,409	-	-	-	-	-	-
Community outreach	-	-	-	-	-	-	144,679
Computer parts and supplies	8,181	12	-	-	-	734	-
Consultant volunteer travel	-	-	-	-	4,767	27,824	4,578
Depreciation and amortization	12,501	-	-	-	-	-	-
Donor advised grant payments	-	-	-	-	-	-	-
Donor cultivation	18,469	32,166	1,211	-	-	-	-
Dues and subscriptions	10,853	2,120	288	-	-	134	-
Dues, subscriptions, & conference fees	-	-	-	-	-	47,694	-
Equipment leases	3,363	2,176	363	-	-	2,902	-
Eye camps	-	-	-	-	-	-	16,000
Fees /dues/ licenses	2,230	45,258	-	-	-	3,265	-
Field office expenses	-	-	-	-	-	36	2,764
Appeals - Gifts of Sight	600	112,855	28,214	-	-	-	-
Grants	-	-	-	48,857	-	67,000	284,245
In-kind:							
Advertising	40,220	40,220	-	-	-	-	-
Glasses and supplies	6,900	71	-	-	-	3,045	-
System and business consultants	9,750	-	-	-	-	2,500	17,514
Volunteer services and physicians	4,680	-	-	-	12,498	-	13,333
Insurance	4,821	5,589	2,931	-	-	7,579	-
Maintenance agreements	-	16,077	-	-	-	-	-
Miscellaneous	8,574	593	-	-	-	755	-
Newsletter	6,751	970	4,636	-	-	-	-
Office rent and utilities	42,023	46,880	7,813	-	-	62,506	-
Office supplies	5,641	3,081	233	-	-	1,176	-
Other program expenses	-	-	-	-	-	5,441	-
Postage and delivery	1,068	9,339	8	-	-	52	-
Printing and copying	1,744	-	-	-	-	-	-
Professional services	226,285	148,558	127,494	-	-	33,078	-
Program consultants	-	-	-	-	-	127,182	37,788
Program equipment	-	-	-	-	5,999	20	232,179
Program evaluation / monitoring	-	-	-	-	-	91,250	34,542
Program training	-	-	-	-	9,565	-	77,584
Property tax	-	5,958	-	-	-	-	-
Publications	9,160	13,439	9,657	-	-	5,879	-
Repair and maintenance	13,119	-	-	-	-	-	-
Sales tax	-	458	-	-	-	-	-
Staff development	795	274	-	-	-	-	-
Telephone	10,931	-	-	-	-	25	-
Travel - non program staff	3,848	2,284	-	-	-	3,723	-
Travel - program staff	-	-	-	-	-	14,432	4,536
Year end appeal	-	120,205	-	-	-	-	-
Total expenditures	\$ 889,280	\$ 1,173,991	\$ 320,150	\$ 50,578	\$ 34,550	\$ 1,311,107	\$ 987,799

(continued)

SEVA FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019
(with summarized financial information for June 30, 2018)

	Programs						
	India	Seeing is Believing India	Bangladesh	Tanzania Ethiopia Uganda	Cambodia	Seeing is Believing Cambodia	Guatemala
Expenditures:							
Salaries	\$ 12,101	\$ 5,392	\$ 1,517	\$ 1,517	\$ 160,349	\$ 14,900	\$ 1,517
Employee benefits	1,635	-	204	204	4,821	-	198
Advertising / recruitment	-	-	-	-	-	-	-
Annual report	-	-	-	-	-	-	-
Bank and payroll charges	-	-	-	-	-	-	-
Board expense	-	-	-	-	-	-	-
Community outreach	-	-	-	-	103,163	150,205	-
Computer parts and supplies	-	955	-	-	-	-	-
Consultant volunteer travel	1,180	-	4,655	3,512	-	-	-
Depreciation and amortization	-	-	-	-	-	-	-
Donor advised grant payments	-	-	-	-	-	-	-
Donor cultivation	-	-	-	-	-	-	-
Dues and subscriptions	-	-	-	-	-	-	-
Dues, subscriptions, & conference fees	700	3,482	1,918	-	23,015	-	-
Equipment leases	-	-	-	-	-	-	-
Eye camps	-	-	-	-	17,919	-	-
Fees /dues/ licenses	-	-	-	-	-	-	-
Field office expenses	-	-	-	-	13,046	-	-
Appeals - Gifts of Sight	-	-	-	-	-	-	-
Grants	378,808	263,636	145,534	356,130	232,194	16,040	225,295
In-kind:							
Advertising	-	-	-	-	-	-	-
Glasses and supplies	-	-	-	-	-	-	-
System and business consultants	22,840	-	-	-	40,802	-	-
Volunteer services and physicians	-	-	-	-	-	-	69,000
Insurance	-	-	-	-	-	-	-
Maintenance agreements	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Newsletter	-	-	-	-	-	-	-
Office rent and utilities	-	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-	-
Other program expenses	-	-	-	-	-	-	-
Postage and delivery	-	-	-	-	-	-	-
Printing and copying	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-
Program consultants	-	9,500	-	-	7,556	-	6,773
Program equipment	-	-	-	-	11,189	-	-
Program evaluation / monitoring	3,446	8,808	615	-	13,350	1,985	1,259
Program training	11,282	-	3,043	-	13,139	13,178	3,103
Property tax	-	-	-	-	-	-	-
Publications	-	-	-	-	-	-	-
Repair and maintenance	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-
Staff development	-	-	-	-	-	-	-
Telephone	-	530	-	-	-	-	-
Travel - non program staff	-	-	-	-	-	-	-
Travel - program staff	1,448	869	-	-	-	-	13
Year end appeal	-	-	-	-	-	-	-
Total expenditures	\$ 433,440	\$ 293,172	\$ 157,486	\$ 361,363	\$ 640,543	\$ 196,308	\$ 307,158

(continued)

SEVA FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019
(with summarized financial information for June 30, 2018)

	Programs				Total Program Services	2019 Total	2018 Total
	Tibet	Peru	Myanmar	Native American Programs			
Expenditures:							
Salaries	\$ -	\$ -	\$ -	\$ 102,764	\$ 1,187,089	\$ 1,894,334	\$ 1,838,244
Employee benefits	-	-	-	21,891	197,604	391,625	400,154
Advertising / recruitment	-	-	-	-	5,993	9,507	18,854
Annual report	-	-	-	-	-	-	149
Bank and payroll charges	-	-	-	-	-	42,992	41,258
Board expense	-	-	-	-	-	54,409	44,303
Community outreach	-	-	-	5,457	403,504	403,504	346,078
Computer parts and supplies	-	-	-	-	1,689	9,882	9,946
Consultant volunteer travel	-	3,885	12,320	71	62,792	62,792	54,766
Depreciation and amortization	-	-	-	-	-	12,501	12,505
Donor advised grant payments	-	-	-	-	-	-	250
Donor cultivation	-	-	-	-	1,211	51,846	68,094
Dues and subscriptions	-	-	-	-	422	13,395	24,210
Dues, subscriptions, & conference fees	1,221	-	-	1,146	79,176	79,176	95,720
Equipment leases	-	-	-	-	3,265	8,804	8,771
Eye camps	-	-	-	-	33,919	33,919	67,700
Fees /dues/ licenses	-	-	-	-	3,265	50,753	54,918
Field office expenses	-	-	-	-	15,846	15,846	5,712
Appeals - Gifts of Sight	-	-	-	-	28,214	141,669	131,294
Grants	290,000	79,925	172,247	26,504	2,586,415	2,586,415	2,984,076
In-kind:							
Advertising	-	-	-	-	-	80,440	279,280
Glasses and supplies	-	-	-	-	3,045	10,016	222,862
System and business consultants	-	-	-	-	83,656	93,406	72,407
Volunteer services and physicians	-	-	-	-	94,831	99,511	5,999
Insurance	-	-	-	-	10,510	20,920	18,021
Maintenance agreements	-	-	-	-	-	16,077	9,775
Miscellaneous	-	-	-	-	755	9,922	909
Newsletter	-	-	-	-	4,636	12,357	22,600
Office rent and utilities	-	-	-	-	70,319	159,222	156,332
Office supplies	-	-	-	107	1,516	10,238	20,615
Other program expenses	-	-	-	1,818	7,259	7,259	1,179
Postage and delivery	-	-	-	-	60	10,467	15,052
Printing and copying	-	-	-	-	-	1,744	1,787
Professional services	-	-	-	-	160,572	535,415	561,089
Program consultants	22,667	-	54,300	3,725	269,491	269,491	120,400
Program equipment	-	-	-	1,017	250,404	250,404	244,579
Program evaluation / monitoring	3,023	1,234	12,227	4,262	176,001	176,001	15,926
Program training	-	-	38,754	1,089	170,737	170,737	110,225
Property tax	-	-	-	-	-	5,958	10,275
Publications	-	-	-	972	16,508	39,107	15,532
Repair and maintenance	-	-	-	-	-	13,119	1,355
Sales tax	-	-	-	-	-	458	304
Staff development	-	-	-	-	-	1,069	12,784
Telephone	-	-	-	-	555	11,486	10,518
Travel - non program staff	-	-	-	544	4,267	10,399	1,845
Travel - program staff	-	-	40	190	21,528	21,528	63,414
Year end appeal	-	-	-	-	-	120,205	80,025
Total expenditures	\$ 316,911	\$ 85,044	\$ 289,888	\$ 171,557	\$ 5,957,054	\$ 8,020,325	\$ 8,282,091

SEVA FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2019
(with summarized financial information for June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 419,047	\$ (488,322)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,501	12,505
Realized and unrealized gains on investments	(1,307,704)	(511,855)
Changes in operating assets and liabilities:		
Cash advances	55,135	(30,044)
Inventory	3,311	(4,975)
Prepaid expenses	2,135	(37,789)
Receivables	385,250	1,919,796
Grant advances	109,875	(202,354)
Accounts payable and accrued expenses	57,422	59,201
Wages payable	34,698	49,701
Grants payable	(100,021)	(115,583)
Reimbursements	(90,584)	20,014
Deferred revenue	(192,818)	71,198
Net cash (used in) provided by operating activities	(611,753)	741,493
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment on note receivable	4,139	336
Proceeds from sale of interest in LLC	-	25,340,000
Proceeds from the sale of property	-	296,154
Purchase of investments	(33,341,725)	(30,602,753)
Sale of investments	32,545,028	-
Purchase of property and equipment	(7,715)	(18,846)
Net cash used in investing activities	(800,273)	(4,985,109)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,412,026)	(4,243,616)
CASH AND CASH EQUIVALENTS - beginning of year	2,409,482	6,653,098
CASH AND CASH EQUIVALENTS - end of year	\$ 997,456	\$ 2,409,482
SUPPLEMENTAL CASH FLOW INFORMATION:		
Non-cash transaction -		
Property sold in exchange for note receivable	\$ -	\$ (279,422)

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 two classes of net assets as follows:

Without Donor Restrictions

Net assets without donor restrictions consist of unconditional promises to give by donors without any use or time restrictions. Net assets without donor restrictions also includes funds designated by the Board of Directors for reserves.

With Donor Restrictions

Net assets with donor restrictions 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. Net assets with donor restrictions also includes funds held in perpetuity as directed by donors, which specify the assets donated be invested to provide a permanent source of income.

Endowment

The State of California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds. Donor restricted endowment funds subject to UPMIFA have been accounted for in these financial statements (refer to Note 10).

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Endowment (continued)

Interpretation of Relevant Law

The Board of the Foundation has interpreted the 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 perpetual in nature restricted net assets (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts donated to the endowment, and (3) additions to the endowment in accordance with donor directions. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in nature, is classified as purpose 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 Foundation's spending policy is to not spend from the donor restricted perpetual 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. 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. Such deficiencies may result from unfavorable market fluctuations that occurred after the investment of new donor-restricted endowment contributions and continued appropriation for certain programs that was deemed prudent by the Board. Management has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. There were no such deficiencies at June 30, 2019.

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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.

Concentrations 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. Money market funds are protected under the Securities Investor Protection Corporation (SIPC) up to \$500,000, with an additional private insurance purchased by the financial institution up to \$1,900,000. 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, 2019. The foreign offices and their respective balances at June 30, 2019 consist of the following:

Nepal	\$	19,093
Cambodia		<u>24,201</u>
	\$	<u>43,294</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.

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2019, 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 with or without donor restricted net assets, based on the presence or absence of 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's or liability's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2019, for future periods amounted to \$33,560.

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. At June 30, 2019, there were no conditional grants.

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 without donor restricted, or with donor restricted support, depending on the existence and/or nature of any donor restrictions.

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.

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

2. 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

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, 2019, the Foundation received \$283,373 in in-kind contributions (refer to Note 12).

Advertising

Advertising costs are expensed as incurred by the Foundation.

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. Payroll costs are allocated based on a percentage of time, all other expenses are allocated pro rata based on number of employees. 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.

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018, from which the summarized information was derived.

Recently Issued Accounting Standards

The Financial Standards Board (FASB) also issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The new standard is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to customers. The new standard will be effective for the Foundation for the year ending June 30, 2020. The Foundation is currently evaluating the impact on its financial statements.

The FASB issued ASU 2018-08, *Not-For-Profit Entities* (Topic 958) (ASU 2018-08) clarifying the scope and accounting guidance for contributions received and contributions made, including the criteria for evaluating whether contributions are conditional or unconditional. The new standard will be effective for the Foundation for the year ending June 30, 2020. The Foundation is currently evaluating the impact on its financial statements.

The FASB also issued ASU No. 2016-02, *Leases* (Topic 842) (ASU 2016-02) for lease accounting to increase transparency and comparability among companies by requiring the recognition of lease assets and lease liabilities by lessees. The new standard will be effective for the Foundation for the year ending June 30, 2021 unless extended, and early adoption is permitted. The Foundation is currently evaluating the timing of its adoption and its impact on its financial statements.

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 3, 2019.

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

3. NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Foundation’s financial statements:

1. The unrestricted net asset class has been renamed net assets without donor restrictions. The temporarily and permanently restricted net asset classes have been renamed net assets with donor restrictions.
2. The notes to financial statements include a new disclosure about liquidity and availability of resources (refer to Note 4).

The changes have the following effect on net assets at June 30, 2019:

<u>Net Asset Class</u>	<u>Before Adoption of ASU 2016-14</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets		
Undesignated	\$ 519,802	\$ -
Board designated reserves	33,341,240	-
Temporarily restricted	2,405,684	-
Permanently restricted	1,023,000	-
Net assets without donor restrictions		
Undesignated	-	519,802
Board designated reserves	-	33,341,240
Net assets with donor restrictions		
Purpose and time restricted	-	2,405,684
Perpetual in nature	-	1,023,000
	<u>\$ 37,289,726</u>	<u>\$ 37,289,726</u>

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation pays close attention to its liquidity in order to fulfill its operating cash needs. The Foundation has various sources that provide liquidity during the year such as contributions and grants, special events, and investment revenue.

The Foundation considers net assets without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include programmatic expenses, administrative and general expenses, and fund raising expenses that are expected to be paid in the subsequent year.

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

The table below represents financial assets available to fund general operating expenditures within one year at June 30, 2019:

Financial assets at June 30, 2019:	
Cash and cash equivalents	\$ 997,456
Cash advances	43,294
Accounts receivable	13,847
Grants receivable	50,833
Pledge receivable - current portion	32,480
Notes receivable - current portion	18,000
Investments	<u>35,252,046</u>
Total financial assets	<u>36,407,956</u>
 Less: Amounts not available to be used within one year:	
Net assets with donor restrictions	<u>1,023,000</u>
Total financial liabilities	<u>1,023,000</u>
 Financial assets available to meet general expenditures within one year	 <u><u>\$ 35,384,956</u></u>

Although the Foundation does not intend to spend from the board designated reserve (other than amounts appropriated as part of the Board's annual budget approval and infrastructure appropriations), these amounts could be made available if necessary and are thus included with investments.

5. PLEDGES RECEIVABLE

At June 30, 2019, pledges receivable are due as follows:

Receivable in less than one year	\$ 492,480
Receivable in two to five years	<u>197,440</u>
	<u><u>\$ 689,920</u></u>

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

6. 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 principal receipts are as follows:

<u>Year ended June 30,</u>	
2020	\$ 4,352
2021	4,574
2022	4,808
2023	5,054
2024	5,313
Thereafter	<u>250,846</u>
	<u>\$ 274,947</u>

7. INVESTMENTS

At June 30, 2019, investments consisted of the following:

Growth Fund	\$ 1,060,806
Mod Growth Fund	<u>34,191,240</u>
	<u>\$ 35,252,046</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, 2019

8. PROPERTY AND EQUIPMENT

At June 30, 2019, property and equipment are comprised of the following:

Land	\$ 53,750
Building	71,250
Leasehold improvements	47,104
Furniture and equipment	<u>159,240</u>
	331,344
Accumulated depreciation and amortization	<u>(184,887)</u>
	<u>\$ 146,457</u>

For the year ended June 30, 2019, depreciation expense amounted to \$12,501.

9. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2019, net assets with donor restrictions are restricted for the following purposes:

Purpose and time restriction subject to expenditure for specified purpose:	
GSI/Sight Programs	\$ 2,188,726
Future periods	179,152
Endowment earnings	<u>37,806</u>
	<u>2,405,684</u>
Perpetual in nature:	
Endowment	<u>1,023,000</u>
Total net assets with donor restrictions	<u><u>\$ 3,428,684</u></u>

During the year ended June 30, 2019, net assets with donor restrictions for purpose and time restrictions were released for the following purposes:

GSI/Sight Programs	\$ 4,229,229
Future periods	<u>47,000</u>
	<u><u>\$ 4,276,229</u></u>

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

10. ENDOWMENT

The Foundation's endowment consists of donations with restrictions that are perpetual in nature for general endowment purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in endowment net assets for the year ended June 30, 2019, are as follows:

	<u>With Donor Restrictions</u>		
	<u>Accumulated Unspent Investment Earnings</u>	<u>Perpetual In Nature</u>	<u>Total Endowment</u>
Endowment net assets - beginning of year	\$ 40,314	\$ 1,023,000	\$ 1,063,314
Unrealized and realized loss on investments	(26,693)	-	(26,693)
Dividend income reinvested	24,185	-	24,185
Endowment net assets - end of year	<u>\$ 37,806</u>	<u>\$ 1,023,000</u>	<u>\$ 1,060,806</u>

11. 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>
2020	\$ 148,800	\$ 6,311	\$ 155,111
2021	49,800	3,730	53,530
	<u>\$ 198,600</u>	<u>\$ 10,041</u>	<u>\$ 208,641</u>

Total rent expense amounted to \$149,357 for the year ended June 30, 2019.

SEVA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

12. IN-KIND CONTRIBUTIONS

For the year ended June 30, 2019, in-kind contributions were as follows:

Advertising	\$ 80,440
Glasses and supplies	10,016
System and business consultants	93,406
Volunteer services and physicians	<u>99,511</u>
	<u>\$ 283,373</u>

13. 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, 2019, the Foundation recognized approximately \$701,000 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, 2019, the Foundation received \$160,226 in grants for Cambodia and \$136,436 in grants for India; of which the Foundation implemented projects with costs of \$196,307 and \$293,173, respectively.

14. 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, 2019, the Foundation elected to make a discretionary contribution of \$75,016 to the Plan.