

Seva Foundation

Financial Statements

June 30, 2020

(With Comparative Totals for 2019)



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Seva Foundation
Berkeley, California

We have audited the accompanying financial statements of Seva Foundation (a California nonprofit corporation) (the "Foundation"), which comprise the statement of financial position as of June 30, 2020, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seva Foundation as of June 30, 2020, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Foundation has adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 14 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

The financial statements of Seva Foundation as of June 30, 2019, were audited by other auditors whose report dated October 3, 2019, 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, 2019, is consistent in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Jose, California

December 7, 2020

Seva Foundation
Statement of Financial Position
June 30, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,364,518	\$ 997,456
Cash advances	42,118	43,294
Accounts receivable	70,246	64,680
Contributions receivable, current	488,855	492,480
Note receivable, current	4,574	4,352
Investments, current	34,575,948	34,191,240
Inventory	9,964	7,764
Grant advances	-	320,599
Prepaid and other current assets	152,962	106,817
Total current assets	36,709,185	36,228,682
Non-current assets		
Investments held for endowment	1,099,606	1,060,806
Contributions receivable, net of current portion	95,510	197,440
Note receivable, net of current portion	266,021	270,595
Property and equipment, net	14,274	146,457
Total non-current assets	1,475,411	1,675,298
Total assets	\$ 38,184,596	\$ 37,903,980
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 161,182	\$ 135,420
Accrued salaries and wages	412,075	342,726
Grants payable	505,402	33,560
Deferred revenue	31,178	102,548
Note payable (Paycheck Protection Program), current	150,579	-
Total current liabilities	1,260,416	614,254
Note payable (Paycheck Protection Program), net of current portion	191,796	-
Total liabilities	1,452,212	614,254
Net assets		
Without donor restrictions		
Undesignated	3,392,184	519,802
Board-designated reserves	30,020,050	33,341,240
Total without donor restrictions	33,412,234	33,861,042
With donor restrictions		
Total net assets	3,320,150	3,428,684
Total net assets	36,732,384	37,289,726
Total liabilities and net assets	\$ 38,184,596	\$ 37,903,980

The accompanying notes are an integral part of these financial statements.

Seva Foundation
Statement of Activities
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenues, gains, and other support				
Contributions and grants	\$ 3,797,585	\$ 2,610,515	\$ 6,408,100	\$ 5,261,002
In-kind contributions	461,102	73,410	534,512	283,373
Special events, net of direct expenses of \$75,222 and \$296,755, respectively	7,732	-	7,732	125,354
Service fees	277,035	-	277,035	489,480
Realized and unrealized gains on investments	1,410,485	15,238	1,425,723	1,307,704
Dividend and interest income	692,967	23,457	716,424	961,228
Other revenue	12,134	-	12,134	11,231
Net assets released from restriction	<u>2,831,154</u>	<u>(2,831,154)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>9,490,194</u>	<u>(108,534)</u>	<u>9,381,660</u>	<u>8,439,372</u>
Functional expenses				
Program services	7,378,197	-	7,378,197	5,957,054
Management and general	1,281,584	-	1,281,584	889,280
Fundraising	<u>1,238,779</u>	<u>-</u>	<u>1,238,779</u>	<u>1,173,991</u>
Total functional expenses	<u>9,898,560</u>	<u>-</u>	<u>9,898,560</u>	<u>8,020,325</u>
Change in net assets from operations	<u>(408,366)</u>	<u>(108,534)</u>	<u>(516,900)</u>	<u>419,047</u>
Non-operating				
Loss on sale of assets	<u>(40,442)</u>	<u>-</u>	<u>(40,442)</u>	<u>-</u>
Total non-operating	<u>(40,442)</u>	<u>-</u>	<u>(40,442)</u>	<u>-</u>
Change in net assets	(448,808)	(108,534)	(557,342)	419,047
Net assets, beginning of year	<u>33,861,042</u>	<u>3,428,684</u>	<u>37,289,726</u>	<u>36,870,679</u>
Net assets, end of year	<u>\$ 33,412,234</u>	<u>\$ 3,320,150</u>	<u>\$ 36,732,384</u>	<u>\$ 37,289,726</u>

The accompanying notes are an integral part of these financial statements.

Seva Foundation
Statement of Functional Expenses
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Program Services					Support Services		2020 Total	2019 Total
	International Development Education	Global Sight Initiative	Seeing is Believing India	Seeing is Believing Cambodia	Total Program Services	Management and General	Fundraising		
Personnel expenses									
Salaries and wages	\$ 60,993	\$ 1,170,019	\$ 2,277	\$ 12,500	\$ 1,245,789	\$ 575,066	\$ 399,173	\$ 2,220,028	\$ 1,894,333
Employee benefits	13,097	185,359	-	-	198,456	185,570	100,375	484,401	391,625
Grant payments	-	3,372,671	252,342	-	3,625,013	-	-	3,625,013	2,589,914
Community outreach / eye camps	-	340,536	-	69,189	409,725	-	-	409,725	437,423
Program training, monitoring and evaluation	-	394,068	5,736	19,721	419,525	-	-	419,525	346,739
Equipment	-	223,409	5,400	-	228,809	3,764	2,216	234,789	259,208
Program consultants	-	460,187	2,509	-	462,696	-	-	462,696	269,491
Travel	-	91,555	1,334	-	92,889	1,511	33	94,433	94,719
Dues, subscriptions, conferences and fees	394	108,418	9,294	-	118,106	17,851	20,645	156,602	139,825
In-kind expense	314,201	73,410	-	-	387,611	-	146,901	534,512	283,373
Professional services	-	55,402	-	-	55,402	277,918	166,898	500,218	535,416
Office expenses	-	34,964	-	2,400	37,364	27,929	17,103	82,396	59,663
Office rent and utilities	-	63,134	-	-	63,134	48,960	47,350	159,444	159,222
Insurance	186	8,967	-	-	9,153	9,031	6,726	24,910	20,920
Repairs and maintenance	-	-	-	-	-	1,053	54,487	55,540	29,196
Advertising	14,366	6,061	-	-	20,427	41,639	244,069	306,135	374,691
Other expenses	-	4,098	-	-	4,098	84,109	32,803	121,010	122,066
Depreciation	-	-	-	-	-	7,183	-	7,183	12,501
	<u>\$ 403,237</u>	<u>\$ 6,592,258</u>	<u>\$ 278,892</u>	<u>\$ 103,810</u>	<u>\$ 7,378,197</u>	<u>\$ 1,281,584</u>	<u>\$ 1,238,779</u>	<u>\$ 9,898,560</u>	<u>\$ 8,020,325</u>

The accompanying notes are an integral part of these financial statements.

Seva Foundation
Statement of Cash Flows
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (557,342)	\$ 419,047
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	7,183	12,501
Loss on sale of assets	40,442	-
Realized and unrealized gains on investments	(1,425,723)	(1,307,704)
Changes in operating assets and liabilities		
Cash advances	1,176	55,135
Accounts receivable	(5,566)	31,702
Contributions receivable	105,555	353,548
Inventory	(2,200)	3,311
Grant advances	320,599	109,875
Prepaid expenses and other current assets	(46,145)	2,135
Accounts payable	25,762	57,422
Accrued salaries and wages	69,349	34,698
Grants payable	471,842	(100,021)
Deferred revenue	(71,370)	(192,818)
Reimbursements	-	(90,584)
Net cash used in operating activities	<u>(1,066,438)</u>	<u>(611,753)</u>
Cash flows from investing activities		
Payment on note receivable	4,352	4,139
Purchases of investments	(71,544,303)	(33,341,725)
Proceeds from the sale of investments	72,546,518	32,545,028
Purchase of property and equipment	-	(7,715)
Proceeds from sale of property and equipment	<u>84,558</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>1,091,125</u>	<u>(800,273)</u>
Cash flows from financing activities		
Proceeds from borrowings under note payable (Paycheck Protection Program)	<u>342,375</u>	<u>-</u>
Net cash provided by financing activities	<u>342,375</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	367,062	(1,412,026)
Cash and cash equivalents, beginning of year	<u>997,456</u>	<u>2,409,482</u>
Cash and cash equivalents, end of year	<u>\$ 1,364,518</u>	<u>\$ 997,456</u>

The accompanying notes are an integral part of these financial statements.

Seva Foundation
Notes to Financial Statements
June 30, 2020

1. NATURE OF OPERATIONS

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 and financial statement presentation

The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

The Foundation reports information regarding its financial position and activities according to two classes of net assets as follows:

- *Net assets without donor restrictions* - net assets not subject to donor-imposed stipulations. Net assets without donor restrictions includes a board-designated operating reserve.
- *Net assets with donor restrictions* - net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time, as well as net assets subject to donor-imposed stipulations that require they be maintained in perpetuity. Net assets with donor restrictions also include the portion of donor-restricted endowment funds that have not yet been appropriated for expenditure by the Foundation.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Change in accounting principle

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* which clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. The Foundation adopted ASU 2018-08 with a date of the initial application of July 1, 2019, using the modified prospective method.

Seva Foundation
Notes to Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

The adoption of ASU 2018-08 did not have a significant impact on the Foundation's financial position, result of operations, or cash flows.

Contributions

Contributions and grants are derived from contributions from individuals, foundations, corporations and governmental agencies. Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until conditions have been substantially met and they become unconditional; that is when the related barrier has been overcome and right of release/right of return no longer exists. Contributions that are promised in one year but are not expected to be collected until after the end of that year are considered contributions receivable and are recorded at fair value by discounting at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. No discount was recorded as of June 30, 2020 as the amount was determined to be immaterial. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and current aging of the promise to give. There was no allowance for uncollectible contributions at June 30, 2020 as all balances were considered collectible.

A portion of the Foundation's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract or grant provisions.

In-kind contributions

Donations of materials are recorded as support at their estimated fair value on the date of the donation. Donated services are recognized as contribution revenue at the fair value of those services, if the services (a) create or enhance non-financial 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, 2020, the Foundation received \$534,512 of in-kind contributions.

Revenue recognition

Service fee revenue is recognized in the period in which the service has been provided and the performance obligation fulfilled. Deferred revenue includes funds received in advance for which the Foundation has not performed the services.

Seva Foundation
Notes to Financial Statements
June 30, 2020

2. 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 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, 2020. The foreign offices and their respective balances at June 30, 2020 consist of the following:

Cash advances consisted of the following:

Nepal	\$ 3,294
Cambodia	<u>38,824</u>
	<u><u>\$ 42,118</u></u>

Accounts receivable

Accounts receivable consist of trade receivables, amounts due from government entities under cost-reimbursable agreements, and other miscellaneous amounts owed to the Foundation.

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, 2020, all receivables are considered fully collectible; therefore, there is no allowance for doubtful accounts.

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 and payable to recipients as of June 30, 2020 amounted to \$505,402.

Seva Foundation
Notes to Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grant advances and grants payable (continued)

Grants provided on a conditional basis are recognized as grant expense when services are performed and when the barrier has been overcome by the grantees and the right of release/right of return no longer exists (condition is fulfilled). 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, 2020, there were no grant advances.

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.

Investments

Investments are comprised of money market funds, common stock and mutual fund securities and are recorded at fair value as determined by quoted market prices in active markets. Unrealized and realized gains and losses are reflected as increases or decreases in net assets without donor restrictions, unless their use is restricted by the donor.

Investments received by donation are recorded at fair value at the date of donation and are sold as soon as practical after receipt, and are classified based on the donor's intention.

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Foundation determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

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.

Seva Foundation
Notes to Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

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.

The following methods and assumptions were used to estimate the fair value of financial instruments recorded on a recurring basis:

- *Level 1* - Securities traded on security exchanges are valued at closing market prices on the date closest to June 30.

Property and equipment

Property 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.

Advertising costs

Advertising costs are charged to expenses as incurred by the Foundation.

Functional 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.

Measure of operations

The Foundation's measure of operations is its changes in net assets from operating activities, which includes operating revenues without donor restrictions, operating revenues with donor-stipulated time or purpose restrictions, and expenses that are an integral part of its programs and supporting activities. Contributions without donor restrictions and net assets released from donor restrictions to support its operating activities are also included. The measure of operations exclude the non-operating loss related to the sale of certain land and building assets that had been previously donated to the Foundation.

Seva Foundation
Notes to Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status

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). Accordingly, no provision for federal or state income taxes has been recorded.

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained, and changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Foundation has evaluated its current tax positions and has concluded that as of June 30, 2020, it does not have any significant uncertain tax positions for which a reserve would be necessary.

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.

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, 2019, from which the summarized information was derived.

Reclassifications

Certain items in the prior year financial statements were reclassified to conform to the current presentation. The reclassifications had no effect on prior year change in net assets or ending net assets.

Seva Foundation
Notes to Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

The Foundation has evaluated subsequent events through December 7, 2020, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Foundation's financial statements

3. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give, which are not expected to be collected until after the year promised, are reflected in the accompanying financial statements as contributions receivable and revenue in the appropriate net asset category.

Contributions receivable consisted of the following:

Receivable in less than one year	\$ 488,855
Receivable in one to five years	<u>95,510</u>
	<u><u>\$ 584,365</u></u>

4. NOTE RECEIVABLE

On April 12, 2018, the Foundation sold certain real property in Sonoma, California. The buyer financed part of the sale with a \$279,422 note receivable due to the Foundation. 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. The outstanding note receivable balance as of June 30, 2020 amounted to \$270,595.

Future minimum principal receipts are as follows:

<u>Year ending June 30,</u>	
2021	\$ 4,574
2022	4,808
2023	5,054
2024	5,313
2025	5,585
Thereafter	<u>245,261</u>
	<u><u>\$ 270,595</u></u>

Seva Foundation
Notes to Financial Statements
June 30, 2020

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Leasehold improvements	\$ 47,104
Furniture and fixtures	<u>159,240</u>
	206,344
Accumulated depreciation and amortization	<u>(192,070)</u>
	<u><u>\$ 14,274</u></u>

Depreciation expense amounted to \$7,183 for the year ended June 30, 2020.

6. INVESTMENTS

Investments consisted of the following:

Money market fund	\$ 4,568,269
Equity securities	11,687,020
Mutual funds and exchange traded funds	<u>19,420,265</u>
	<u><u>\$ 35,675,554</u></u>

7. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money market fund	\$ 4,568,269	\$ -	\$ -	\$ 4,568,269
Equity securities	11,687,020	-	-	11,687,020
Mutual funds and exchange traded funds	<u>19,420,265</u>	<u>-</u>	<u>-</u>	<u>19,420,265</u>
	<u><u>\$ 35,675,554</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 35,675,554</u></u>

Seva Foundation
Notes to Financial Statements
June 30, 2020

8. NOTE PAYABLE (PAYCHECK PROTECTION PROGRAM)

On April 23, 2020, the Foundation received loan proceeds of \$342,375 from a promissory note issued by Mechanics Bank, under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and is administered by the U.S. Small Business Administration. The term of the loan is two years and the annual interest rate is 1.00%. Payments of principal and interest are deferred for the first six months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. The Foundation believes that it will likely qualify for full forgiveness, but there is uncertainty around the standards and operation of the PPP, and no assurance is provided that the Foundation will obtain forgiveness in whole or in part. Although the Foundation expects the PPP loan to be forgiven, the loan has been accounted for as a financial liability in accordance with applicable accounting guidance. Extinguishment of the debt will not take place until the Foundation has been legally released as the primary obligor. This will likely not take place until the SBA has approved the forgiveness application. The outstanding note payable balance as of June 30, 2020 amounted to \$342,375.

The future maturities of the note payable are as follows:

<u>Year ending June 30,</u>	
2021	\$ 150,579
2022	191,796
	<u>342,375</u>
Current portion	<u>(150,579)</u>
	<u>\$ 191,796</u>

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Restricted for a specified purpose or passage of time	
GSI/Sight programs	\$ 2,116,548
Contributions receivable without donor restrictions	103,996
Endowment earnings	<u>76,501</u>
	<u>2,297,045</u>
To be held in perpetuity	
Endowment	<u>1,023,105</u>
	<u>1,023,105</u>
	<u>\$ 3,320,150</u>

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9. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction during the year were as follows:

GSI/Sight programs	\$ 2,799,499
Collection of contributions receivable without donor restrictions	<u>31,655</u>
	<u>\$ 2,831,154</u>

10. ENDOWMENT

The Foundation's endowment includes donor-restricted funds. 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.

Interpretation of relevant law

The Foundation's Board of Directors has interpreted the California enacted version of 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 (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) additions to the endowment in accordance with donor directions. The remaining portion of the donor-restricted endowment fund that is not classified in 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.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

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10. ENDOWMENT (continued)

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 does not currently have a spending policy as it has elected 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, 2020.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,099,606	\$ 1,099,606
	<u>\$ -</u>	<u>\$ 1,099,606</u>	<u>\$ 1,099,606</u>

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10. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	With Donor Restrictions		
	Accumulated Unspent Investment Earnings	Perpetual in Nature	Total
Balance, beginning of year	\$ 37,806	\$ 1,023,000	\$ 1,060,806
Realized and unrealized gain on investments	15,238	-	15,238
Dividend income reinvested	23,457	-	23,457
	38,695	-	38,695
Contributions	-	105	105
Balance, end of year	\$ 76,501	\$ 1,023,105	\$ 1,099,606

11. IN-KIND CONTRIBUTIONS

In-kind contributions were comprised of the following:

Advertising	\$ 314,201
Eye glasses and frames	24,210
Physician and office volunteer services	146,901
Program salaries for foreign offices	49,200
	\$ 534,512

12. LEASE OBLIGATIONS

The Foundation leases facilities under various leases requiring monthly payments ranging from approximately \$1,200 to \$5,300, expiring in October 2020. During October 2020, the Foundation entered into new lease agreement with a commencement date of November 1, 2020 and expiring at various dates through October 2023. The Foundation also maintains leases for office equipment with payments ranging from approximately \$200 to \$373 and expiring through May 2021.

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12. LEASE OBLIGATIONS (continued)

Future minimum lease payments for facilities and equipment are as follows:

<u>Year ending June 30,</u>	<u>Facilities</u>	<u>Equipment</u>	<u>Total</u>
2021	\$ <u>49,800</u>	\$ <u>5,856</u>	\$ <u>55,656</u>
	<u>\$ 49,800</u>	<u>\$ 5,856</u>	<u>\$ 55,656</u>

Total rent expense amounted to \$148,800 for the year ended June 30, 2020 and is included as a component of office rent and utilities on the statement of functional expenses.

13. 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. The Plan provides for contributions to be made by eligible employees and also provides for discretionary contributions to be made by the Foundation on behalf of plan participants. For the year ended June 30, 2020, the Foundation elected to make a discretionary contribution of \$79,306 to the Plan.

14. RISKS AND UNCERTAINTIES

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders, including California, where the Foundation is headquartered. In response, the U.S. Government enacted the CARES Act, which includes significant provisions to provide relief and assistance to affected organizations. As a qualifying 501(c)(3) organization, the Foundation received a PPP loan through the CARES Act (see Note 8). In addition, the U.S. has experienced significant economic volatility including within financial markets. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders and the ultimate impact of the CARES Act and other governmental initiatives. It is at least reasonably possible that this matter will negatively impact the Foundation. However, the financial impact and duration cannot be reasonably estimated at this time.

15. LIQUIDITY AND FUNDS AVAILABLE

The Foundation regularly monitors liquidity required to meet its operating needs and other commitments, while prudently investing its available funds to ensure the preservation of the funds for future use. The Foundation has various sources of liquidity during the year primarily including cash and cash equivalents and equity securities.

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15. LIQUIDITY AND FUNDS AVAILABLE (continued)

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 fundraising expenses that are expected to be paid in the subsequent year.

The table below represents financial assets available to fund general operating expenditures within one year at June 30, 2020:

Financial assets	
Cash and cash equivalents	\$ 1,406,636
Accounts receivable	70,246
Contributions receivable	584,365
Note receivable	270,595
Investments	<u>35,687,925</u>
	<u>38,019,767</u>
Less: amounts unavailable for general expenditure within one year:	
Long-term portion of note receivable	(266,021)
Donor-imposed restrictions for a specified purpose or passage of time	(2,297,045)
Donor-imposed restrictions to be held in perpetuity	<u>(1,023,105)</u>
	<u>(3,586,171)</u>
	<u>\$ 34,433,596</u>

Investment assets include the Foundation's board-designated reserves. 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, not excluded from the calculation of financial assets available for general expenditure. The appropriation of board-designated reserves approved for spending for the year ending June 30, 2021 totaled \$4,555,898 and is investments as of June 30, 2020.