

Seva Foundation

Financial Statements

June 30, 2022
(With Comparative Totals for 2021)



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Seva Foundation
Berkeley, California

Opinion

We have audited the accompanying financial statements of Seva Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

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, 2022, 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.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Seva Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Seva Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Seva Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Seva Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Seva Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Foundation has adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to that matter.



Armanino^{LLP}
San Francisco, California

October 11, 2022

Seva Foundation
Statement of Financial Position
June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,406,161	\$ 1,002,412
Cash advances	115,724	28,831
Accounts receivable	18,426	38,907
Contributions receivable, current	696,807	62,094
Note receivable, current	5,054	4,808
Investments, current	29,455,462	35,643,432
Inventory	21,521	9,232
Prepaid and other current assets	305,992	229,126
Total current assets	34,025,147	37,018,842
Non-current assets		
Contributions receivable, net of current portion	-	32,094
Note receivable, net of current portion	256,159	261,213
Investments held for endowment	1,233,762	1,449,878
Property and equipment, net	1,010	7,642
Total non-current assets	1,490,931	1,750,827
Total assets	\$ 35,516,078	\$ 38,769,669
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 169,489	\$ 49,304
Accrued salaries and wages	371,756	362,010
Grants payable	191,020	294,204
Total current liabilities	732,265	705,518
Net assets		
Without donor restrictions		
Undesignated	2,177,530	531,727
Board-designated reserves	28,876,899	34,438,129
Total without donor restrictions	31,054,429	34,969,856
With donor restrictions		
Total net assets	3,729,384	3,094,295
Total liabilities and net assets	\$ 35,516,078	\$ 38,769,669

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

Seva Foundation
Statement of Activities
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues, gains, and other support				
Contributions and grants	\$ 6,793,385	\$ 4,898,232	\$ 11,691,617	\$ 6,172,933
In-kind contributions	304,100	250,785	554,885	650,613
Special events, net of direct expenses of \$67,009 and \$77,218, respectively	(39,783)	-	(39,783)	24,427
Service fees	-	-	-	31,178
Forgiveness of notes payable - Paycheck Protection Program	-	-	-	842,375
Realized and unrealized gains (losses) on investments, net	(4,531,150)	(244,490)	(4,775,640)	4,129,778
Dividend and interest income	606,579	28,374	634,953	651,424
Other revenue	13,611	-	13,611	24,219
Net assets released from restriction	<u>4,297,812</u>	<u>(4,297,812)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>7,444,554</u>	<u>635,089</u>	<u>8,079,643</u>	<u>12,526,947</u>
Functional expenses				
Program services	8,533,108	-	8,533,108	8,683,495
Management and general	1,625,914	-	1,625,914	1,560,115
Fundraising	<u>1,200,959</u>	<u>-</u>	<u>1,200,959</u>	<u>951,570</u>
Total functional expenses	<u>11,359,981</u>	<u>-</u>	<u>11,359,981</u>	<u>11,195,180</u>
Change in net assets	(3,915,427)	635,089	(3,280,338)	1,331,767
Net assets, beginning of year	<u>34,969,856</u>	<u>3,094,295</u>	<u>38,064,151</u>	<u>36,732,384</u>
Net assets, end of year	<u>\$ 31,054,429</u>	<u>\$ 3,729,384</u>	<u>\$ 34,783,813</u>	<u>\$ 38,064,151</u>

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

Seva Foundation
Statement of Functional Expenses
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	Program Services			Support Services		2022 Total	2021 Total
	International Development Education	Global Sight Initiative	Total Program Services	Management and General	Fundraising		
Salaries and wages	\$ 65,497	\$ 1,470,419	\$ 1,535,916	\$ 802,265	\$ 442,608	\$ 2,780,789	\$ 2,380,815
Employee benefits	11,734	196,303	208,037	147,175	96,809	452,021	450,441
Grant payments	-	4,004,273	4,004,273	-	-	4,004,273	4,542,142
Community outreach / eye camps	-	437,021	437,021	-	-	437,021	299,052
Program training, monitoring and evaluation	-	145,354	145,354	-	-	145,354	149,922
Equipment	-	342,814	342,814	3,721	2,324	348,859	748,662
Program consultants	-	1,037,428	1,037,428	-	-	1,037,428	832,533
Travel	-	53,331	53,331	4	20	53,355	2,364
Dues, subscriptions, conferences and fees	-	240,809	240,809	27,304	28,542	296,655	139,538
Professional services	-	233,220	233,220	251,755	160,127	645,102	476,606
Office expenses	-	50,580	50,580	29,404	21,216	101,200	87,544
Office rent and utilities	-	55,023	55,023	43,072	41,267	139,362	158,136
Insurance	-	12,157	12,157	12,495	9,118	33,770	31,258
Repairs and maintenance	-	-	-	-	74,742	74,742	72,824
Advertising	173,014	2,481	175,495	209,010	274,243	658,748	688,258
Other expenses	-	1,650	1,650	93,077	49,943	144,670	128,453
Depreciation	-	-	-	6,632	-	6,632	6,632
	<u>\$ 250,245</u>	<u>\$ 8,282,863</u>	<u>\$ 8,533,108</u>	<u>\$ 1,625,914</u>	<u>\$ 1,200,959</u>	<u>\$ 11,359,981</u>	<u>\$ 11,195,180</u>

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

Seva Foundation
Statement of Cash Flows
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (3,280,338)	\$ 1,331,767
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	6,632	6,632
Realized and unrealized (gains) losses on investments, net	4,775,640	(4,129,778)
Forgiveness of notes payable - Paycheck Protection Program	-	(842,375)
Changes in operating assets and liabilities		
Cash advances	(86,893)	13,287
Accounts receivable	20,481	31,339
Contributions receivable	(602,619)	490,177
Inventory	(12,289)	732
Prepaid and other current assets	(76,866)	(76,164)
Accounts payable	120,185	(111,878)
Accrued salaries and wages	9,746	(50,065)
Grants payable	(103,184)	(211,198)
Deferred revenue	-	(31,178)
Net cash provided by (used in) operating activities	770,495	(3,578,702)
Cash flows from investing activities		
Payment on note receivable	4,808	4,574
Purchases of investments	(621,554)	(637,978)
Proceeds from the sale of investments	2,250,000	3,350,000
Net cash provided by investing activities	1,633,254	2,716,596
Cash flows from financing activities		
Proceeds from borrowings under notes payable - Paycheck Protection Program	-	500,000
Net cash provided by financing activities	-	500,000
Net increase (decrease) in cash and cash equivalents	2,403,749	(362,106)
Cash and cash equivalents, beginning of year	1,002,412	1,364,518
Cash and cash equivalents, end of year	\$ 3,406,161	\$ 1,002,412

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

Seva Foundation
Notes to Financial Statements
June 30, 2022

1. NATURE OF OPERATIONS

Seva Foundation ("Seva" or the "Foundation"), a California nonprofit corporation, is a global eye care organization that transforms lives by restoring sight and preventing blindness. Since 1978, Seva has provided sight-saving surgeries, eyeglasses, medicine, and other eye care services to more than 40 million people in underserved communities around the world.

Globally, at least 2.2 billion people have a vision impairment, and of these, at least 1 billion people have a vision impairment that could have been prevented or has yet to be addressed. Seva's programs have been instrumental in making eye care available to those who can't afford it. The programs are driven by 4 pillars - establishing self sustaining vision centers, eye care for kids, bringing the best in technology, and training and job creation.

Seva believes that restoring sight is one of the most cost effective ways to relieve suffering and reduce poverty. When a blind person gets their sight back, they can go back to work and earn and support their family. In more than 20 countries, Seva has helped nearly 5 million people who were blind to regain their sight. Seva also develops and disseminates educational/informational materials 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.

Seva Foundation
Notes to Financial Statements
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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/or 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, 2022 as all contributions receivable are expected to be collected within one year. 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, 2022 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, 2022, the Foundation received \$554,885 of in-kind contributions (see Note 10).

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.

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.

Seva Foundation
Notes to Financial Statements
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2022.

The foreign offices and their respective cash advance balances at June 30, 2022 consist of the following:

Nepal	\$ 32,507
Cambodia	<u>83,217</u>
	<u>\$ 115,724</u>

Accounts receivable

Accounts receivable consist of trade receivables, amounts due from government agencies 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, 2022, 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 receivables 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, 2022 amounted to \$191,020.

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, 2022, there were no grant advances.

Seva Foundation
Notes to Financial Statements
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consist of money market funds, equity securities primarily comprised of common stock, and mutual funds 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 base 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.

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.

Seva Foundation
Notes to Financial Statements
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 23701d. 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, 2022, it does not have any significant uncertain tax positions for which a reserve would be necessary.

Seva Foundation
Notes to Financial Statements
June 30, 2022

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.

For the year ended June 30, 2022, one donor accounted for approximately 10% of contributions and grants revenue. Two donors comprised approximately 85% of the contributions receivable balance as of June 30, 2022.

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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements, as of, and for the year ended June 30, 2021, 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, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Under this ASU, a not-for-profit entity is required to present contributed nonfinancial assets as a separate line-item in the statement of activities, apart from contributions of cash and other financial assets as well as include enhanced disclosures surrounding the nature and valuation techniques of the contributed nonfinancial assets. The Foundation adopted ASU 2020-07 with a date of the initial application of July 1, 2021. The adoption of ASU 2020-07 did not have a significant impact on the Foundation's financial position, results of operations, or cash flows.

Subsequent events

The Foundation has evaluated subsequent events through October 11, 2022, 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 are due in less than one year and totaled \$696,807 as of June 30, 2022.

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 combined 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, 2022 amounted to \$261,213.

Seva Foundation
Notes to Financial Statements
June 30, 2022

4. NOTE RECEIVABLE (continued)

Future minimum principal receipts are as follows:

<u>Year ending June 30,</u>	
2023	\$ 5,054
2024	5,313
2025	5,585
2026	5,870
2027	6,171
Thereafter	<u>233,220</u>
	261,213
Current portion	<u>(5,054)</u>
	<u>\$ 256,159</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Leasehold improvements	\$ 47,104
Furniture and fixtures	<u>116,575</u>
	163,679
Accumulated depreciation and amortization	<u>(162,669)</u>
	<u>\$ 1,010</u>

Depreciation expense amounted to \$6,632 for the year ended June 30, 2022.

6. INVESTMENTS

Investments consisted of the following:

Money market funds	\$ 597,830
Equity securities	10,731,409
Mutual funds and exchange traded funds	<u>19,359,985</u>
	<u>\$ 30,689,224</u>

Seva Foundation
Notes to Financial Statements
June 30, 2022

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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money market fund	\$ 597,830	\$ -	\$ -	\$ 597,830
Equity securities	10,731,409	-	-	10,731,409
Mutual funds and exchange traded funds	<u>19,359,985</u>	<u>-</u>	<u>-</u>	<u>19,359,985</u>
	<u>\$ 30,689,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,689,224</u>

8. 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	\$ 2,461,574
Contributions receivable without donor restrictions	34,048
Endowment earnings	<u>210,657</u>
	<u>2,706,279</u>
To be held in perpetuity	
Endowment	<u>1,023,105</u>
	<u>1,023,105</u>
	<u>\$ 3,729,384</u>

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

GSI/Sight programs	\$ 4,267,672
Collection of contributions receivable without donor restrictions	<u>30,140</u>
	<u>\$ 4,297,812</u>

9. ENDOWMENT

The Foundation's endowment includes donor-restricted funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Seva Foundation
Notes to Financial Statements
June 30, 2022

9. ENDOWMENT (continued)

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 Foundation 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

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.

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9. ENDOWMENT (continued)

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, 2022.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,233,762	\$ 1,233,762
	<u>\$ -</u>	<u>\$ 1,233,762</u>	<u>\$ 1,233,762</u>

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Accumulated Unspent Investment Earnings</u>	<u>Perpetual in Nature</u>	
Balance, beginning of year	\$ -	\$ 426,773	\$ 1,023,105	\$ 1,449,878
Realized and unrealized loss on investments	-	(244,490)	-	(244,490)
Dividend income reinvested	<u>-</u>	<u>28,374</u>	<u>-</u>	<u>28,374</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 210,657</u>	<u>\$ 1,023,105</u>	<u>\$ 1,233,762</u>

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10. IN-KIND CONTRIBUTIONS

In-kind contributions were comprised of the following:

Advertising	\$ 303,140
Eye glasses and frames	63,538
Ophthalmology professional services	116,570
Program salaries for foreign offices	<u>71,637</u>
	<u>\$ 554,885</u>

In-kind contributions valuation techniques

Contributed services for advertising, ophthalmology professional services, and program salaries for foreign offices are valued at the estimated fair value based on current rates for similar or identical services. In valuing eye glasses, the Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Donor restrictions and in-kind contribution use

The in-kind contributions received during the year ended June 30, 2022 included no donor restrictions and were fully utilized for the Global Sight Initiative Program, advertising and clerical support.

11. LEASE OBLIGATIONS

The Foundation leases office space under operating leases, requiring monthly payments ranging from approximately \$400 to \$5,300, and expiring at various dates through March 2027.

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

<u>Year ending June 30,</u>	
2023	\$ 106,209
2024	38,609
2025	4,809
2026	4,809
2027	<u>3,206</u>
	<u>\$ 157,642</u>

Total rent expense amounted to \$131,205 for the year ended June 30, 2022 and is included as a component of office rent and utilities on the statement of functional expenses.

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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. 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, 2022, the Foundation elected to make a discretionary contribution of \$100,853 to the Plan.

13. RELATED PARTY TRANSACTIONS

A summary of the related party transactions as of and for the year ended June 30, 2022 are as follows:

- Two Seva board members are directors and/or owners of two separate partner hospitals to the Foundation. The Foundation provided grant funding to the partner hospitals in the amount of \$1,295,182 during the year ended June 30, 2022.
- Contributions received from members of the Foundation's board of directors totaled \$119,950 during the year ended June 30, 2022.

14. 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.

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.

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14. LIQUIDITY AND FUNDS AVAILABLE (continued)

The table below represents financial assets available to fund general operating expenditures within one year at June 30, 2022:

Financial assets	
Cash and cash equivalents and cash advances	\$ 3,521,885
Accounts receivable	18,426
Contributions receivable	696,807
Note receivable	261,213
Investments	<u>30,689,224</u>
	<u>35,187,555</u>
Less: amounts unavailable for general expenditure within one year:	
Long-term portion of note receivable	(256,159)
Donor-imposed restrictions for a specified purpose or passage of time	(2,706,279)
Donor-imposed restrictions to be held in perpetuity	<u>(1,023,105)</u>
	<u>(3,985,543)</u>
	<u>\$ 31,202,012</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, 2023 totaled \$578,563 and is included in investments as of June 30, 2022.