

**SANKARA EYE
FOUNDATION, USA
FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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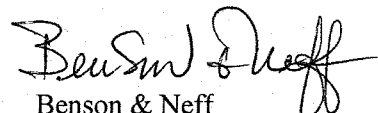
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sankara Eye Foundation, USA
Milpitas, California

We have audited the accompanying statements of financial position of Sankara Eye Foundation, USA as of December 31, 2008 and 2007 and the related statements of activities, functional expenses and cash flows for the year ended December 31, 2008. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Foundation's 2007 financial statements and, in our report dated September 18, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sankara Eye Foundation, USA as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the year ended December 31, 2008 in conformity with U.S. generally accepted accounting principles.


Benson & Neff
Certified Public Accountants,
A Professional Corporation

San Francisco, California
May 5, 2009

Sankara Eye Foundation, USA

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2008 AND 2007

| | <u>2008</u> | <u>2007</u> |
|-------------------------------------|---------------------|---------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 1,328,400 | \$ 1,800,055 |
| Accounts receivable | - | 6,000 |
| Prepaid expenses | <u>15,474</u> | <u>-</u> |
| | 1,343,874 | 1,806,055 |
| MARKETABLE EQUITY SECURITIES | | |
| (Cost 2008, \$8,373; 2007, \$8,373) | 2,627 | 6,178 |
| DEPOSIT | | |
| | 1,500 | 1,500 |
| FIXED ASSETS | | |
| | <u>4,714</u> | <u>5,571</u> |
| | <u>\$ 1,352,715</u> | <u>\$ 1,819,304</u> |
| LIABILITIES | | |
| CURRENT | | |
| Accrued expenses | \$ <u>9,450</u> | \$ <u>7,720</u> |
| NET ASSETS | | |
| UNRESTRICTED | 585,146 | 162,778 |
| TEMPORARILY RESTRICTED | <u>758,119</u> | <u>1,648,806</u> |
| | <u>1,343,265</u> | <u>1,811,584</u> |
| | <u>\$ 1,352,715</u> | <u>\$ 1,819,304</u> |

See Notes to Financial Statements

Sankara Eye Foundation, USA

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2008, WITH COMPARATIVE TOTALS FOR 2007

| | UNRESTRICTED | TEMPORARILY RESTRICTED | TOTAL | 2007 |
|--|---------------------|-----------------------------------|---------------------|---------------------|
| REVENUE, GAINS (LOSSES) AND OTHER SUPPORT | | | | |
| Contributions | \$1,153,607 | \$ 2,613,232 | \$ 3,766,839 | \$ 2,740,676 |
| Special events, net of expenses of \$209,663 | 49,820 | - | 49,820 | 125,235 |
| Investment income | 24,766 | - | 24,766 | 60,226 |
| Net realized gain (loss) on marketable equity securities | 5 | 480 | 485 | (702) |
| Net unrealized (loss) gain on marketable equity securities | (3,551) | - | (3,551) | 537 |
| NET ASSETS RELEASED FROM RESTRICTIONS: | | | | |
| Satisfaction of program restrictions | <u>3,504,399</u> | <u>(3,504,399)</u> | <u>-</u> | <u>-</u> |
| Total revenue and other support | <u>4,729,046</u> | <u>(890,687)</u> | <u>3,838,359</u> | <u>2,925,972</u> |
| EXPENSES: | | | | |
| Capital projects | 3,386,000 | - | 3,386,000 | 1,762,000 |
| Cataract surgeries | 382,434 | - | 382,434 | 700,000 |
| General and administrative | 274,382 | - | 274,382 | 160,045 |
| Fundraising and promotion | <u>263,862</u> | <u>-</u> | <u>263,862</u> | <u>237,666</u> |
| Total expenses | <u>4,306,678</u> | <u>-</u> | <u>4,306,678</u> | <u>2,859,711</u> |
| CHANGE IN NET ASSETS | 422,368 | (890,687) | (468,319) | 66,261 |
| NET ASSETS, beginning of year | <u>162,778</u> | <u>1,648,806</u> | <u>1,811,584</u> | <u>1,745,323</u> |
| NET ASSETS, end of year | <u>\$ 585,146</u> | <u>\$ 758,119</u> | <u>\$ 1,343,265</u> | <u>\$ 1,811,584</u> |

See Notes to Financial Statements

Sankara Eye Foundation, USA

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2008, WITH COMPARATIVE TOTALS FOR 2007

| | <u>PROGRAM SERVICES</u> | | <u>SUPPORTING SERVICES</u> | | <u>TOTAL</u> | <u>2007</u> |
|----------------------------|-----------------------------|-------------------------------|---|-------------------------|--------------------|--------------------|
| | <u>CAPITAL PROJECTS</u> | <u>CATARACT SURGERIES</u> | <u>GENERAL & ADMINIS- TRATIVE</u> | <u>FUND RAISING</u> | | |
| Grants | \$ 3,386,000 | \$ 382,434 | \$ - | \$ - | \$3,768,434 | \$2,462,000 |
| Salaries and related | - | - | 99,527 | - | 99,527 | 41,317 |
| Advertising and promotions | - | - | - | 210,113 | 210,113 | 143,750 |
| Professional fees | - | - | 17,500 | - | 17,500 | 16,564 |
| Office supplies | - | - | 8,312 | 3,127 | 11,439 | 11,335 |
| Telecommunications | - | - | 6,943 | - | 6,943 | 6,633 |
| Postage and shipping | - | - | 30,879 | 10,810 | 41,689 | 48,662 |
| Building occupancy | - | - | 26,722 | - | 26,722 | 24,666 |
| Equipment maintenance | - | - | 115 | - | 115 | - |
| Printing and publications | - | - | 13,579 | 23,846 | 37,425 | 38,783 |
| Production and design | - | - | 29,067 | - | 29,067 | 23,284 |
| Travel and meetings | - | - | 20,126 | 15,966 | 36,092 | 24,847 |
| Insurance | - | - | 2,632 | - | 2,632 | 1,984 |
| Depreciation | - | - | 857 | - | 857 | 429 |
| Other | - | - | 18,123 | - | 18,123 | 15,457 |
| | <u>\$ 3,386,000</u> | <u>\$ 382,434</u> | <u>\$ 274,382</u> | <u>\$ 263,862</u> | <u>\$4,306,678</u> | <u>\$2,859,711</u> |

See Notes to Financial Statements

Sankara Eye Foundation, USA

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007

| | <u>2008</u> | <u>2007</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (468,319) | \$ 66,261 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 857 | 429 |
| Contribution of marketable equity securities | (21,570) | (51,585) |
| Net loss on marketable equity securities | 3,066 | 165 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable | 6,000 | (6,000) |
| Prepaid expenses | (15,474) | 23,175 |
| Deposit | - | (1,500) |
| Increase (decrease) in: | | |
| Accrued expenses | <u>1,730</u> | <u>(19,330)</u> |
| Net cash provided by (used in) operating activities | <u>(493,710)</u> | <u>11,615</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | - | (6,000) |
| Proceeds from sale of marketable equity securities | <u>22,055</u> | <u>56,404</u> |
| Net cash provided by investing activities | <u>22,055</u> | <u>50,404</u> |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (471,655) | 62,019 |
| CASH, beginning of year | <u>1,800,055</u> | <u>1,738,036</u> |
| CASH, end of year | <u>\$ 1,328,400</u> | <u>\$ 1,800,055</u> |

See Notes to Financial Statements

Sankara Eye Foundation, USA

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2008 AND 2007

Note 1. NATURE OF FOUNDATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Foundation:

Sankara Eye Foundation USA is a California nonprofit corporation that is engaged in fund raising and other activities to eradicate curable blindness by supporting delivery organizations that build eye care hospitals and provide free eye surgeries to the rural poor in India.

Significant Accounting Policies:

Basis of Presentation:

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

Accrual Basis:

The financial statements have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables and payables, other liabilities and prepaid expenses.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Marketable Equity Securities:

Marketable equity securities are carried at fair value, and unrealized gain and loss are reported in the statement of activities. Fair values are based on quoted market prices for those or similar investments.

Fixed Assets and Depreciation:

Fixed assets are recorded at cost. Depreciation and amortization are computed on the straight-line method. Furniture and fixtures are depreciated over 7 years.

Sankara Eye Foundation, USA

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2008 AND 2007

Note 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Policies (continued):

Contributions:

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services:

No amounts have been recognized in the financial statements for donated services since no objective basis is available to measure the value of such services.

Advertising and Promotion:

Advertising and promotion costs are expensed as incurred.

Income Taxes:

As a nonprofit corporation, the Foundation is exempt from both Federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code.

Functional Allocation of Expenses:

Expenses are allocated into functional categories depending on the ultimate purpose of the expenditure. Expenses have been summarized in the accompanying financial statements as follows:

Program services include funds transmitted to Sankara Eye Society, India for cataract surgeries and capital projects, primarily the construction of eye care facilities.

Supporting services include expenses that are indirectly related to a specific program service in the accomplishment of its tax exempt purposes.

Note 2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2008 and 2007 consist of contributions received for the purposes of building of eye care facilities in India.

Sankara Eye Foundation, USA

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2008 AND 2007

Note 3. COMPARATIVE AMOUNTS

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. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

Note 4. CONCENTRATION OF CREDIT RISK

Cash is insured to a maximum of \$250,000 by the Federal Deposit Insurance Corporation. The Foundation believes it is not exposed to significant credit risk with respect to these funds.

Note 5. FIXED ASSETS

| | |
|--------------|-----------------|
| Furniture | \$ 6,000 |
| Depreciation | <u>(1,286)</u> |
| | <u>\$ 4,714</u> |

Note 6. LEASE EXPENSE AND LEASE COMMITMENTS

The Foundation's existing lease expires May 1, 2009. Future minimum rental commitment under this lease is \$6,400. Office lease expense for the years ended December 31, 2008 and 2007 was \$26,722 and \$24,666, respectively.