

**Audited Financial Statements**  
**AMERICAN SOCIETY OF CATARACT AND**  
**REFRACTIVE SURGERY FOUNDATION**

*August 31, 2016*

# American Society of Cataract and Refractive Surgery Foundation

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# Independent Auditor's Report

To the Foundation Governing Board  
American Society of Cataract and  
Refractive Surgery Foundation

We have audited the accompanying financial statements of American Society of Cataract and Refractive Surgery Foundation (the Foundation), which comprise the statements of financial position as of August 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 of 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 American Society of Cataract and Refractive Surgery Foundation as of August 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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# American Society of Cataract and Refractive Surgery Foundation

## Statements of Financial Position

August 31,	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 204,597	\$ 241,990
Investments	6,924,295	6,478,939
Prepaid expenses	-	284
Unconditional promises to give	67,333	134,000
Website development costs and equipment	-	10,301
<b>Total assets</b>	<b>\$ 7,196,225</b>	<b>\$ 6,865,514</b>
 <b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable	\$ 20,348	\$ 13,500
Due to ASCRS	580,963	454,795
Total liabilities	601,311	468,295
Net assets		
Unrestricted	2,135,625	2,247,021
Temporarily restricted	2,589,492	2,280,401
Permanently restricted	1,869,797	1,869,797
Total net assets	6,594,914	6,397,219
<b>Total liabilities and net assets</b>	<b>\$ 7,196,225</b>	<b>\$ 6,865,514</b>

See notes to the financial statements.

# American Society of Cataract and Refractive Surgery Foundation

## Statements of Activities

*Years Ended August 31, 2016 and 2015*

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and support</b>								
Contributions	\$ -	\$ 301,471	\$ -	\$ 301,471	\$ 6,000	\$ 654,718	\$ -	\$ 660,718
Investment income	198,355	267,762		466,117	(6,784)	(13,878)		(20,662)
Special events								
Sponsorships	57,000			57,000	54,500			54,500
Registration fees	12,630			12,630	13,496			13,496
Contributions				-				-
Less direct benefit to donors	(54,800)			(54,800)	(54,800)			(54,800)
Total special events revenue	14,830	-	-	14,830	13,196	-	-	13,196
	213,185	569,233		782,418	12,412	640,840		653,252
Net assets released from restriction:								
Satisfaction of program restrictions	260,142	(260,142)		-	526,963	(526,963)		-
Total revenue and support	473,327	309,091	-	782,418	539,375	113,877	-	653,252
<b>Expenses</b>								
Program services:								
Charitable eye care / humanitarian	261,091			261,091	519,347			519,347
Research	85,536			85,536	73,510			73,510
Public awareness and physical education	-			-	4,669			4,669
Total program services	346,627	-	-	346,627	597,526	-	-	597,526
Supporting services:								
General and administrative	198,388			198,388	159,236			159,236
Fund raising	39,708			39,708	13,267			13,267
Total supporting services	238,096	-	-	238,096	172,503	-	-	172,503
Total expenses	584,723	-	-	584,723	770,029	-	-	770,029
<b>Change in net assets</b>	(111,396)	309,091	-	197,695	(230,654)	113,877	-	(116,777)
Net assets, beginning of year	2,247,021	2,280,401	1,869,797	6,397,219	2,477,675	2,166,524	1,869,797	6,513,996
<b>Net assets, end of year</b>	<b>\$ 2,135,625</b>	<b>\$ 2,589,492</b>	<b>\$ 1,869,797</b>	<b>\$ 6,594,914</b>	<b>\$ 2,247,021</b>	<b>\$ 2,280,401</b>	<b>\$ 1,869,797</b>	<b>\$ 6,397,219</b>

See notes to the financial statements.

# American Society of Cataract and Refractive Surgery Foundation

## Statements of Cash Flows

<b>Year ended August 31,</b>	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 197,695	\$ (116,777)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net (gain) loss on investments	(296,956)	182,749
Donated materials to others	-	124,625
Depreciation and amortization	10,300	16,050
Changes in assets and liabilities:		
Prepaid expenses	284	(284)
Unconditional promises to give	66,667	(134,000)
Accounts payable	6,848	(115,670)
Due to ASCRS	126,168	(96)
Total adjustments	(86,689)	73,374
Net cash provided by (used in) operating activities	111,006	(43,403)
<b>Cash flows from investing activities</b>		
Sales and maturities of investments	19,940	10,464
Purchases of investments	(168,339)	(160,273)
Net cash used in investing activities	(148,399)	(149,809)
<b>Net decrease in cash and cash equivalents</b>	<b>(37,393)</b>	<b>(193,212)</b>
Cash and cash equivalents, beginning of year	241,990	435,202
<b>Cash and cash equivalents, end of year</b>	<b>\$ 204,597</b>	<b>\$ 241,990</b>

See notes to the financial statements.

# American Society of Cataract and Refractive Surgery Foundation

## Notes to the Financial Statements

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### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: American Society of Cataract and Refractive Surgery Foundation (the Foundation) works to support physician education and to provide humanitarian cataract surgery in the United States and Africa. Through its programs and partnerships the foundation works to maximize the benefits of modern ophthalmology and to treat thousands of needy patients both at home and abroad.

Income tax status: The Foundation is exempt from the payment of income taxes pursuant to section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation under section 509(a)(2) of the Internal Revenue Code.

Basis of accounting: The financial statements have been prepared on the accrual basis of accounting. Consequently, revenues are recognized when earned or promised and expenses are recognized when the underlying obligations are incurred.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

Cash and cash equivalents: For financial statement purposes, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents except those held within the endowment.

Unconditional promises to give: Unconditional promises to give that are expected to be collected in future years are initially recorded at their fair value, which is generally the present value of their estimated future cash flows. The accretion of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Contributions: Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in permanently or temporarily restricted net assets. When a 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 statements of activities as net assets released from restriction.

# American Society of Cataract and Refractive Surgery Foundation

## Notes to the Financial Statements

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### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net assets: For financial statement purposes, net assets consist of the following:

Unrestricted: Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

Temporarily restricted: Temporarily restricted net assets include donor-restricted net assets with a purpose or time restriction and consist of assisting with humanitarian projects, research, and public awareness efforts.

Permanently restricted: Permanently restricted net assets must be maintained in perpetuity by the Foundation. Contributions made to the Foundation's endowment funds are recorded as increases in permanently restricted net assets. However, the investment earnings on the endowment contributions have been restricted for certain purposes. As such, these investment earnings are recorded as temporarily restricted net assets until appropriated by the Foundation Governing Board.

Functional allocation of expense: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent events: Subsequent events have been evaluated through January 3, 2017, which is the date the financial statements were available to be issued.

### B. CONCENTRATION OF CREDIT AND MARKET RISKS

Credit risk: The Foundation maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Foundation.

Market risk: The Foundation also invests funds in a professionally managed portfolio that contains various types of marketable securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in these risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

# American Society of Cataract and Refractive Surgery Foundation

## Notes to the Financial Statements

### C. FAIR VALUE MEASUREMENTS AND INVESTMENT INCOME

In accordance with U.S. generally accepted accounting principles, the Foundation uses the following prioritized input levels to measure fair value of financial instruments. The input levels used for valuing financial instruments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes.

Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data.

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

The following is a summary of input levels used to determine fair values, measured on a recurring basis, at August 31,:

<b>2016</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments, at fair value				
Equity mutual funds	\$ 4,509,571	\$ 4,509,571	\$ -	\$ -
Fixed income mutual funds	2,414,724	2,414,724		
	<b>\$ 6,924,295</b>	<b>\$ 6,924,295</b>	<b>\$ -</b>	<b>\$ -</b>

<b>2015</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments, at fair value				
Equity mutual funds	\$ 4,205,144	\$ 4,205,144	\$ -	\$ -
Fixed income mutual funds	2,273,795	2,273,795		
	<b>\$ 6,478,939</b>	<b>\$ 6,478,939</b>	<b>\$ -</b>	<b>\$ -</b>

Investments classified within Level 1 include mutual funds which were valued based on quoted prices for identical assets in active markets.

Investment income was as follows for the years ended August 31,:

	<b>2016</b>	<b>2015</b>
Interest and dividends	\$ 169,161	\$ 162,087
Gain (loss) on investments	296,956	(182,749)
	<b>\$ 466,117</b>	<b>\$ (20,662)</b>

# American Society of Cataract and Refractive Surgery Foundation

## Notes to the Financial Statements

### D. PROMISES TO GIVE

Unconditional promises to give: The Foundation receives promises to give from members of American Society of Cataract and Refractive Surgery. Future scheduled receipts of promises to give were as follows at August 31,:

	2016	2015
Receivable in less than one year	\$ 67,333	\$ 66,000
Receivable in one to five years	-	68,000
	<b>\$ 67,333</b>	<b>\$ 134,000</b>

Unconditional promises to give are included in temporarily restricted net assets. The discount to net present value was determined to be immaterial and was not recorded for the year ended August 31, 2016.

### E. NET ASSETS

Temporarily restricted: The Foundation has received certain contributions restricted by the donor for specific uses.

Temporarily restricted net assets consisted of the following as of August 31,:

	2016	2015
Charitable eye care / humanitarian	\$ 2,581,219	\$ 2,274,319
Public awareness and physician education	8,273	6,082
	<b>\$ 2,589,492</b>	<b>\$ 2,280,401</b>

Certain amounts restricted for programs were also restricted for use in future periods by the donor, such as unconditional promises to give net assets, or by law, such as endowment net assets.

Permanently restricted: Permanently restricted net assets consisted of "The John E. Gilmore and Kathleen E. Gilmore Fund," and the "Sinskey Clinic Travel Fund", both of which are endowment funds. Investment income from these endowment funds is restricted for charitable eye care / humanitarian programs.

# American Society of Cataract and Refractive Surgery Foundation

## Notes to the Financial Statements

### F. ENDOWMENT

The Foundation's endowments consist of two individual donor-restricted permanent endowment funds. The first fund called "The John E. Gilmore and Kathleen E. Gilmore Fund" has an agreement requiring that investment earnings be used for international humanitarian eye care projects, such as for the education or training of ophthalmic surgeons from developing countries and transportation for visiting instructors. The second fund, "Sinskey Clinic Travel Fund" stipulates that earnings be used for travel involving physician instructors or Ethiopian administrative or medical personnel associated with the Sinskey Eye Institute. As required by accounting principles generally accepted in the United States of America, 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 Governing Board has interpreted the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) enacted in the Commonwealth of Virginia as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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.

*Return objectives and risk parameters:* The Foundation has adopted an investment policy for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Foundation Governing Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a composite market index which best represents the style and asset allocation of the endowment fund's overall investment structure while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average real rate of return (in excess of inflation) within approximately 5% of the overall market rate of return. Actual returns in any given year may vary from this amount.

# American Society of Cataract and Refractive Surgery Foundation

## Notes to the Financial Statements

### F. ENDOWMENT – CONTINUED

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy: The Foundation has a policy of appropriating for distribution each year amounts from the permanent endowment in accordance with the donor instructions when expenses are available to meet the purpose restriction on the income of the funds. The Sinskey Clinic Travel Fund stipulates a maximum appropriation of 5% of the endowment balance.

Endowment net assets: Endowment net assets consisted of the following as of August 31,:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
The John E. Gilmore and Kathleen E. Gilmore Fund	\$ -	\$ 1,033,422	\$ 1,719,797	\$ 2,753,219
Sinskey Clinic Travel Fund	-	6,744	150,000	156,744
	\$ -	\$ 1,040,166	\$ 1,869,797	\$ 2,909,963
	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
The John E. Gilmore and Kathleen E. Gilmore Fund	\$ -	\$ 855,828	\$ 1,719,797	\$ 2,575,625
Sinskey Clinic Travel Fund	-	2,023	150,000	152,023
	\$ -	\$ 857,851	\$ 1,869,797	\$ 2,727,648

# American Society of Cataract and Refractive Surgery Foundation

## Notes to the Financial Statements

### F. ENDOWMENT – CONTINUED

Endowment activity: Changes in endowment net assets consisted of the following for the years ended August 31, 2016 and 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, August 31, 2014	\$ -	\$ 874,015	\$ 1,869,797	\$ 2,743,812
Investment return:				
Interest and dividends		67,683		67,683
Net loss		(77,517)		(77,517)
Net investment return	-	(9,834)	-	(9,834)
Appropriations		(6,330)		(6,330)
<b>Endowment net assets, August 31, 2015</b>	<b>-</b>	<b>857,851</b>	<b>1,869,797</b>	<b>2,727,648</b>
Investment return:				
Interest and dividends		106,809		106,809
Net gain		165,674		165,674
Net investment return	-	272,483	-	272,483
Appropriations		(90,168)		(90,168)
<b>Endowment net assets, August 31, 2016</b>	<b>\$ -</b>	<b>\$ 1,040,166</b>	<b>\$ 1,869,797</b>	<b>\$ 2,909,963</b>

### G. TRANSACTIONS WITH RELATED PARTY

Some members of the Foundation Governing Board overlap with the Board of Directors of American Society of Cataract and Refractive Surgery (the Society), a tax-exempt organization established under section 501(c)(6) of the Internal Revenue Code. However, the Society's Board of Directors does not appoint the members of the Foundation Governing Board. Accordingly, the Foundation's financial statements are not consolidated with the Society's financial statements.

The following transactions have taken place between the Foundation and the Society:

Services and facilities: The Society provides the Foundation with personnel, office facilities, and other general and administrative expenses in exchange for a fee. An agreement was signed by the Society and the Foundation effective September 1, 2014 in which the Foundation agreed to provide the Society with monthly payments of \$10,000 for overhead and administrative costs as well as partial reimbursements for salary and benefits. The Foundation paid fees of \$120,000 for the years ended August 31, 2016 and 2015.

Due to the Society: The Society collects and distributes some of the contributions to the Foundation. The Society also provides services and facilities to the Foundation as described above. It is the policy of these two organizations to periodically liquidate any balances due to each other. The Foundation owed the Society \$580,963 and \$454,795 as of August 31, 2016 and 2015, respectively.