

Audited Financial Statements
AMERICAN SOCIETY OF CATARACT AND
REFRACTIVE SURGERY FOUNDATION

August 31, 2017

American Society of Cataract and Refractive Surgery Foundation

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T A T E



TRYON

A Professional Corporation

Certified Public

Accountants

and Consultants

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, 2017 and 2016, 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, 2017 and 2016, 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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December 14, 2017

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American Society of Cataract and Refractive Surgery Foundation

Statements of Financial Position

August 31,	2017	2016
Assets		
Cash and cash equivalents	\$ 335,940	\$ 204,597
Investments	7,129,588	6,924,295
Prepaid expenses	150	-
Unconditional promises to give	1,333	67,333
Total assets	\$ 7,467,011	\$ 7,196,225
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 27,500	\$ 20,348
Due to ASCRS	299,895	580,963
Total liabilities	327,395	601,311
Net assets		
Unrestricted	2,410,240	2,135,625
Temporarily restricted	2,709,579	2,589,492
Permanently restricted	2,019,797	1,869,797
Total net assets	7,139,616	6,594,914
Total liabilities and net assets	\$ 7,467,011	\$ 7,196,225

American Society of Cataract and Refractive Surgery Foundation

Statements of Activities

Years Ended August 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support								
Contributions	\$ 289,628	\$ 456,080	\$ 150,000	\$ 895,708	\$ -	\$ 301,471	\$ -	\$ 301,471
Investment income	221,163	147,362		368,525	198,355	267,762		466,117
Special events								
Sponsorships	77,000			77,000	57,000			57,000
Registration fees	10,827			10,827	12,630			12,630
Less direct benefit to donors	(56,800)			(56,800)	(54,800)			(54,800)
Total special events revenue	31,027	-	-	31,027	14,830	-	-	14,830
	541,818	603,442	150,000	1,295,260	213,185	569,233		782,418
Net assets released from restriction:								
Satisfaction of program restrictions	483,355	(483,355)		-	260,142	(260,142)		-
Total revenue and support	1,025,173	120,087	150,000	1,295,260	473,327	309,091	-	782,418
Expenses								
Program services:								
Charitable eye care / humanitarian	407,955			407,955	261,091			261,091
Research	94,569			94,569	85,536			85,536
Physician education	169			169	-			-
Total program services	502,693	-	-	502,693	346,627	-	-	346,627
Supporting services:								
General and administrative	228,516			228,516	198,388			198,388
Fund raising	19,349			19,349	39,708			39,708
Total supporting services	247,865	-	-	247,865	238,096	-	-	238,096
Total expenses	750,558	-	-	750,558	584,723	-	-	584,723
Change in net assets	274,615	120,087	150,000	544,702	(111,396)	309,091	-	197,695
Net assets, beginning of year	2,135,625	2,589,492	1,869,797	6,594,914	2,247,021	2,280,401	1,869,797	6,397,219
Net assets, end of year	\$ 2,410,240	\$ 2,709,579	\$ 2,019,797	\$ 7,139,616	\$ 2,135,625	\$ 2,589,492	\$ 1,869,797	\$ 6,594,914

See notes to the financial statements.

American Society of Cataract and Refractive Surgery Foundation

Statements of Cash Flows

Year ended August 31,	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 544,702	\$ 197,695
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net gain on investments	(194,575)	(296,956)
Depreciation and amortization	-	10,300
Endowment contributions	(150,000)	-
Changes in assets and liabilities:		
Prepaid expenses	(150)	284
Unconditional promises to give	66,000	66,667
Accounts payable	7,152	6,848
Due to ASCRS	(281,068)	126,168
Total adjustments	(552,641)	(86,689)
Net cash (used in) provided by operating activities	(7,939)	111,006
Cash flows from investing activities		
Sales and maturities of investments	161,385	19,940
Purchases of investments	(172,103)	(168,339)
Net cash used in investing activities	(10,718)	(148,399)
Cash flows from financing activities		
Endowment contributions received	150,000	-
Net cash provided by financing activities	150,000	-
Net increase (decrease) in cash and cash equivalents	131,343	(37,393)
Cash and cash equivalents, beginning of year	204,597	241,990
Cash and cash equivalents, end of year	\$ 335,940	\$ 204,597

See notes to the financial statements.

American Society of Cataract and Refractive Surgery Foundation

Notes to the Financial Statements

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

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 and research.

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.

Subsequent events: Subsequent events have been evaluated through December 14, 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,:

2017	Fair Value	Level 1	Level 2	Level 3
Investments, at fair value				
Equity mutual funds	\$ 3,912,076	\$ 3,912,076	\$ -	\$ -
Fixed income mutual funds	3,217,512	3,217,512		
	<u>\$ 7,129,588</u>	<u>\$ 7,129,588</u>	<u>\$ -</u>	<u>\$ -</u>

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

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,:

	2017	2016
Interest and dividends	\$ 173,950	\$ 169,161
Gain on investments	194,575	296,956
	<u>\$ 368,525</u>	<u>\$ 466,117</u>

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 expected to be received in less than one year were \$1,333 and \$67,333 at August 31, 2017 and 2016, respectively.

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 both the years ended August 31, 2017 and 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,;

	2017	2016
Charitable eye care / humanitarian	\$ 2,701,306	\$ 2,581,219
Physician education	<u>8,273</u>	<u>8,273</u>
	<u>\$ 2,709,579</u>	<u>\$ 2,589,492</u>

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," the "Sinskey Clinic Travel Fund", and "The David & Victoria Chang Endowment Fund", all 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 endowment consists of three 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. The third fund, "The David & Victoria Chang Endowment Fund" states that the investment earnings be used for an annual humanitarian award that recognizes outstanding work and accomplishments related to humanitarian eye care. 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. The David & Victoria Chang Endowment Fund states that no more than one award shall be given annually for a maximum amount of \$50,000. Until the corpus of the David & Victoria Chang Endowment Fund reaches its goal of \$1,000,000, the donor will make a separate annual \$50,000 contribution to fund the award.

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

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
The John E. Gilmore and Kathleen E. Gilmore Fund	\$ -	\$ 1,181,460	\$ 1,719,797	\$ 2,901,257
Sinskey Clinic Travel Fund	-	10,892	150,000	160,892
The David & Victoria Chang Endowment Fund	-	-	150,000	150,000
	\$ -	\$ 1,192,352	\$ 2,019,797	\$ 3,212,149
	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

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, 2017 and 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, August 31, 2015	\$ -	\$ 857,851	\$ 1,869,797	\$ 2,727,648
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)
Endowment net assets, August 31, 2016	-	1,040,166	1,869,797	2,909,963
Contributions	-	-	150,000	150,000
Investment return:				
Interest and dividends		73,856		73,856
Net gain		78,330		78,330
Net investment return	-	152,186	-	152,186
Appropriations				-
Endowment net assets, August 31, 2017	\$ -	\$ 1,192,352	\$ 2,019,797	\$ 3,212,149

American Society of Cataract and Refractive Surgery Foundation

Notes to the Financial Statements

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. In addition, beginning September 1, 2016, the Foundation agreed to reimburse the Society annually for \$55,000 in domestic charitable eyecare expenses. As such, the Foundation paid fees of \$175,000 and 120,000 for the years ended August 31, 2017 and 2016, respectively.

Due to the Society: The Society collects and distributes some 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 \$299,895 and \$580,963 as of August 31, 2017 and 2016, respectively.