

FINANCIAL STATEMENTS

HIMALAYAN CATARACT PROJECT, INC.

**FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

HIMALAYAN CATARACT PROJECT, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Himalayan Cataract Project, Inc.
Waterbury, Vermont

Opinion

We have audited the accompanying financial statements of the Himalayan Cataract Project, Inc. (HCP), which comprise the statement of financial position as of December 31, 2021, and the related activities and change in net assets, 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 HCP as of December 31, 2021, and the change 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 for 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 HCP and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the 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 HCP'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.

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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 HCP'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 HCP'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 HCP's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



May 27, 2022

HIMALAYAN CATARACT PROJECT, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,526,615	\$ 5,857,217
Investments	6,827,248	5,791,822
Grants and contributions receivable	1,053,356	1,970,798
Interest receivable	10,012	5,852
Inventory	1,296,305	801,867
Deposits on equipment and consumables	391,521	228,481
Prepaid expenses	<u>63,162</u>	<u>33,506</u>
Total current assets	<u>18,168,219</u>	<u>14,689,543</u>
FIXED ASSETS		
Vehicles	36,690	-
Property and equipment	23,080	20,451
Construction in progress	783,046	89,313
Less: Accumulated depreciation	<u>(14,651)</u>	<u>(12,083)</u>
Net fixed assets	<u>828,165</u>	<u>97,681</u>
OTHER ASSETS		
Security deposits	3,250	3,250
Grants and contributions receivable, net of current portion and present value discount	<u>395,213</u>	<u>142,113</u>
Total other assets	<u>398,463</u>	<u>145,363</u>
TOTAL ASSETS	<u>\$ 19,394,847</u>	<u>\$ 14,932,587</u>

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Loan payable under Paycheck Protection Program	\$ -	\$ 337,092
Accounts payable and accrued liabilities	786,221	422,894
Accrued salaries and related benefits	69,038	39,096
Deferred revenue	<u>-</u>	<u>1,425</u>
Total liabilities	<u>855,259</u>	<u>800,507</u>

NET ASSETS

Without donor restrictions	14,106,150	10,721,720
With donor restrictions	<u>4,433,438</u>	<u>3,410,360</u>
Total net assets	<u>18,539,588</u>	<u>14,132,080</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,394,847</u>	<u>\$ 14,932,587</u>

See accompanying notes to financial statements.

HIMALAYAN CATARACT PROJECT, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Contributions	\$ 7,105,013	\$ 1,303,299	\$ 8,408,312	\$ 6,194,396
Foundation grants	1,143,425	2,059,971	3,203,396	2,873,529
Contributed services and materials	326,146	-	326,146	388,299
Government grants	-	-	-	550,766
Investment income, net	700,585	-	700,585	431,665
Technology and procurement program revenue	248,401	-	248,401	8,104
Other revenue	735	-	735	10,330
Net assets released from donor restrictions	<u>2,340,192</u>	<u>(2,340,192)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>11,864,497</u>	<u>1,023,078</u>	<u>12,887,575</u>	<u>10,457,089</u>
EXPENSES				
Program Services:				
Eye Care and Education	<u>6,737,522</u>	<u>-</u>	<u>6,737,522</u>	<u>4,790,381</u>
Supporting Services:				
Management and General	1,461,602	-	1,461,602	1,488,015
Fundraising	<u>598,397</u>	<u>-</u>	<u>598,397</u>	<u>573,762</u>
Total supporting services	<u>2,059,999</u>	<u>-</u>	<u>2,059,999</u>	<u>2,061,777</u>
Total expenses	<u>8,797,521</u>	<u>-</u>	<u>8,797,521</u>	<u>6,852,158</u>
Change in net assets before other item	3,066,976	1,023,078	4,090,054	3,604,931
OTHER ITEM				
Extinguishment of debt	<u>317,454</u>	<u>-</u>	<u>317,454</u>	<u>-</u>
Change in net assets after other item	3,384,430	1,023,078	4,407,508	3,604,931
Net assets at beginning of year	<u>10,721,720</u>	<u>3,410,360</u>	<u>14,132,080</u>	<u>10,527,149</u>
NET ASSETS AT END OF YEAR	<u>\$ 14,106,150</u>	<u>\$ 4,433,438</u>	<u>\$ 18,539,588</u>	<u>\$ 14,132,080</u>

HIMALAYAN CATARACT PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021				2020	
	Program Services	Supporting Services				
	Eye Care and Education	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Payroll and related expenses	\$ 1,302,982	\$ 948,402	\$ 451,840	\$ 1,400,242	\$ 2,703,224	\$ 2,251,515
Subrecipients:						
Ethiopia	1,775,189	70,989	-	70,989	1,846,178	1,570,152
Ghana	1,339,639	118	-	118	1,339,757	710,080
Nepal	1,147,577	5,713	-	5,713	1,153,290	814,796
Other (Rwanda, Sierra Leone, Kenya)	246,122	-	-	-	246,122	94,330
India	107,500	-	-	-	107,500	258,151
Bhutan	156,842	-	-	-	156,842	238,237
South Sudan	75,087	-	-	-	75,087	98,818
Procurement program	386,957	1,571	-	1,571	388,528	14,896
Other	26,000	79,188	37,026	116,214	142,214	73,671
Facilities	54,547	54,719	8,082	62,801	117,348	109,211
Computer and software	4,529	73,093	25,104	98,197	102,726	68,712
Travel	45,554	25,538	11,269	36,807	82,361	23,657
Legal and accounting fees	-	73,090	-	73,090	73,090	50,134
Communications, digital marketing, website	-	56,490	1,000	57,490	57,490	46,200
Printing and reproduction	-	9,684	37,555	47,239	47,239	23,413
Subcontractors	17,698	17,957	10,753	28,710	46,408	21,184
Telephone and internet	16,430	12,500	6,480	18,980	35,410	23,897
Shipping and postage	10,858	3,042	7,682	10,724	21,582	9,222
Memberships	7,968	10,073	1,161	11,234	19,202	18,954
Bank charges	12,871	3,447	20	3,467	16,338	13,965
Supplies	2,947	6,574	425	6,999	9,946	10,168
Consulting - Strategic development	-	5,475	-	5,475	5,475	12,200
Depreciation	225	2,343	-	2,343	2,568	2,349
Bad debt	-	1,596	-	1,596	1,596	294,246
TOTAL	\$ 6,737,522	\$ 1,461,602	\$ 598,397	\$ 2,059,999	\$ 8,797,521	\$ 6,852,158

See accompanying notes to financial statements.

HIMALAYAN CATARACT PROJECT, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,407,508	\$ 3,604,931
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,568	2,349
Unrealized gain	(396,596)	(219,266)
Realized gain	(214,030)	(111,102)
Discount on long-term receivables	(3,100)	(4,430)
Receipt of contributed securities	(292,446)	(244,800)
Proceeds from the sale of contributed securities	251,089	244,925
Extinguishment of debt	(317,454)	-
Decrease (increase) in:		
Grants and contributions receivable	667,442	39,149
Interest receivable	(4,160)	6,185
Inventory	(494,438)	(204,257)
Deposits on equipment and consumables	(163,040)	560,652
Prepaid expenses	(29,656)	17,461
Security deposits	-	(2,000)
Increase (decrease) in:		
Accounts payable and accrued liabilities	363,327	(405,118)
Accrued salaries and related benefits	29,942	36,878
Deferred revenue	(1,425)	(455,779)
Net cash provided by operating activities	<u>3,805,531</u>	<u>2,865,778</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(733,052)	(97,813)
Purchase of investments	(1,916,499)	(2,163,870)
Proceeds from sale of investments	<u>1,533,056</u>	<u>2,679,454</u>
Net cash (used) provided by investing activities	<u>(1,116,495)</u>	<u>417,771</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable - Paycheck Protection Program	3,356	337,092
Payment on loan - Paycheck Protection Program	(22,994)	-
Proceeds from loan payable - Economic Injury Disaster Loan	-	150,000
Principal payments on loan - Economic Injury Disaster Loan	<u>-</u>	<u>(150,000)</u>
Net cash (used) provided by financing activities	<u>(19,638)</u>	<u>337,092</u>
Net increase in cash	2,669,398	3,620,641
Cash at beginning of year	<u>5,857,217</u>	<u>2,236,576</u>
CASH AT END OF YEAR	<u>\$ 8,526,615</u>	<u>\$ 5,857,217</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 7,034</u>	<u>\$ 3,049</u>

See accompanying notes to financial statements.

HIMALAYAN CATARACT PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Himalayan Cataract Project, Inc. (HCP) is a non-profit organization organized under the laws of the State of Vermont for the purpose of eradicating preventable and treatable blindness through high-quality ophthalmic care, education and the establishment of a world-class eye care infrastructure.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with HCP's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Cash and cash equivalents -

HCP considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, HCP maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends and realized and unrealized gains and losses are included in investment income net of investment expenses provided by external investment advisors in the Statement of Activities and Change in Net Assets. Investments acquired by gift are recorded at their fair value at the date of the gift. HCP's policy is to liquidate all gifts of investments as soon as possible after the gift.

HIMALAYAN CATARACT PROJECT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Grants and contributions receivable -

Grants and contributions receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in Contributions and Foundation grants revenue. All grants and accounts receivable are considered by management to be fully collectable. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$2,500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease.

The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation for the year ended December 31, 2021 totaled \$2,568.

In 2020, HCP began work on a specialty eye center in Bahir Dar, Ethiopia. Costs associated with this construction include mobilization advance, construction, and design and supervision fees. HCP expects to place this center into service toward the end of 2022.

Income taxes -

HCP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. HCP is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2021, HCP has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Inventory -

Inventory consists of medical supplies and is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory under FASB ASU 2015-11 *Simplifying the Measurement of Inventory*.

Contributions and grants -

The majority of HCP's activities are supported by contributions and grants from individuals, the U.S. Government, and other private entities. These contributions and grants are for various activities performed by HCP. Contributions and grants are recognized in the appropriate category of net assets in the period received.

HIMALAYAN CATARACT PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Contributions and grants (continued) -

HCP performs an analysis of the individual contribution and grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Contributions and grants qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Contributions or grants qualifying as conditional contributions contain a right of return from obligation provision that limits HCP on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met.

Most grant awards from the U.S. Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. HCP recognizes revenue for these conditional contributions when the related barrier has been overcome. Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions and grants treated as contributions, HCP had approximately \$500,000 in unrecognized conditional awards as of December 31, 2021.

Grants and contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and record revenue when the performance obligations are met. The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred in compliance with the criteria stipulated in the grant or contract agreements. Funds received in advance are recorded as deferred revenue.

Contributed services and materials -

Contributed services and materials consist of surgical supplies and ophthalmologists performing high quality ophthalmic care on a pro-bono basis. Contributed services and materials are recorded at their fair value as of the date of the gift. Donated physician time is based on mean salary rates for ophthalmologists and ophthalmology residents. In addition, volunteers have donated significant amounts of their time to HCP; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Foreign currency translation -

The U.S. Dollar is the functional currency for HCP's worldwide operations. Transactions in currencies other than U.S. Dollars are translated into dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in currencies other than U.S. Dollars are translated into dollars at the exchange rate in effect at the date of the Statement of Financial Position.

HIMALAYAN CATARACT PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses directly attributed to a specific functional area of HCP are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of actual time and effort or other reasonable basis.

Risks and uncertainties -

HCP invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could affect the amounts reported in the accompanying financial statements.

Fair value measurement -

HCP adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. HCP accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact HCP's operations. The overall potential impact is unknown at this time.

New accounting pronouncements not yet adopted -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities.

HIMALAYAN CATARACT PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncements not yet adopted (continued) -

The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non-public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

HCP plans to adopt the new ASUs at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standards on its accompanying financial statements.

2. INVESTMENTS

In accordance with FASB ASC 820, *Fair Value Measurement*, HCP has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market HCP has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of December 31, 2021.

- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by HCP's are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by HCP's are deemed to be actively traded.

HIMALAYAN CATARACT PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

2. INVESTMENTS (Continued)

- *Stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *U.S. Government securities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Corporate bonds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2021. Transfers between levels are recorded at the end of the reporting period, if applicable. The table below summarizes, the investments measured at fair value on a recurring basis, aggregated by the fair value hierarchy level in which the measurements were made.

HCP's investments consisted of the following as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Mutual funds	\$ 2,490,109	\$ -	\$ -	\$ 2,490,109
Stocks	2,852,131	-	-	2,852,131
U.S. Government securities	253,410	-	-	253,410
Corporate bonds	-	1,038,978	-	1,038,978
Certificates of deposit	-	192,620	-	192,620
TOTAL	\$ <u>5,595,650</u>	\$ <u>1,231,598</u>	\$ <u>-</u>	\$ <u>6,827,248</u>

Included in investment income are the following for the year ended December 31, 2021:

Interest and dividends	\$ 130,988
Unrealized gain	396,596
Realized gain	214,030
Management fees	<u>(41,029)</u>
TOTAL INVESTMENT INCOME, NET	\$ <u>700,585</u>

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2021, donors to HCP have made written promises to give totaling \$1,453,356. Grants and contributions due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 2.75% (U.S. Treasury Yield Curve Rate). Grants and contributions are due as follows at December 31, 2021:

Less than one year	\$ 1,053,356
One to five years	<u>400,000</u>
Total	1,453,356
Less: Allowance to discount balance to present value	<u>(4,787)</u>
GRANTS AND CONTRIBUTIONS RECEIVABLE	\$ <u>1,448,569</u>

HIMALAYAN CATARACT PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

4. LOAN PAYABLE

On April 17, 2020, HCP received loan proceeds in the amount of \$337,092 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. On April 14, 2021, the loan was partially forgiven in the forgiveness amount of \$317,454 (principal totaling \$314,098 and interest totaling \$3,356). HCP repaid the bank the portion that was not forgiven totaling \$22,994.

5. BOARD DESIGNATED NET ASSETS

As of December 31, 2021, net assets without donor restrictions have been designated by the Board of Directors for the following purposes:

<u>Fund</u>	<u>Purpose</u>	<u>2021</u>
Reserve Fund	To support administrative expenses and unusual expenses.	\$ 5,335,095
Contingency Fund	To ensure the uninterrupted continuation of programmatic and administrative operations of HCP in the event of an unanticipated disruption of the planned and anticipated funding sources.	<u>1,557,368</u>
BOARD DESIGNATED NET ASSETS		<u>\$ 6,892,463</u>

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021:

Program restrictions:	
Ethiopia	\$ 1,497,900
South Sudan	1,000,000
Nepal	285,200
Bhutan	250,000
Data standards	230,891
Ghana	117,417
Ghana / Ethiopia	99,992
India	82,247
Africa	50,000
Thailand	26,100
Tanzania	25,000
Eritrea	14,936
Outreach	<u>8,542</u>
Subtotal	3,688,225
Subject to the passage of time	<u>745,213</u>
TOTAL NET ASSETS WITH RESTRICTIONS	<u>\$ 4,433,438</u>

HIMALAYAN CATARACT PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

6. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Program restrictions:	
Ethiopia	\$ 800,876
Nepal	256,254
Bhutan	10,000
Data standards	476,024
Ghana	466,877
Ghana / Ethiopia	208
Africa	2,500
Outreach	146,153
Pediatric	100,300
COVID-19	5,000
Training and mentoring	<u>1,000</u>
Subtotal	2,265,192
Passage of time	<u>75,000</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 2,340,192</u>

7. LIQUIDITY

Financial assets available for use within one year of the Statement of Financial Position comprise the following at December 31, 2021:

Cash and cash equivalents	\$ 8,526,615
Investments	6,827,248
Grants and contributions receivable, current	1,053,356
Interest receivable	10,012
Less: Donor restricted funds, less amounts time restricted and to be released in 2022	(4,088,225)
Less: Board designated funds	<u>(5,335,095)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 6,993,911</u>

All cash equivalents and securities are liquid and available for operations within one to two day's notice. Receivables from donors and grantors are expected to be received within one year, except for commitments with payment schedules that extend beyond one year. Receivables representing the commitment of equipment and supplies are not considered liquid assets. Funds received from donors which have restrictions as to their use, as well as Federal grants which are contingent upon meeting certain time or performance conditions, are not considered liquid assets.

In addition, the Board of Directors has designated some funds for specific uses. The Board designated contingency fund is a fund established by the governing Board that may be drawn upon to ensure the uninterrupted continuation of programmatic and administrative operations of HCP in the event of an unanticipated disruption of the planned and anticipated funding sources.

HIMALAYAN CATARACT PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

8. CONTRIBUTED SERVICES AND MATERIALS

During the year ended December 31, 2021, HCP was the beneficiary of many donated goods and a significant amount of services which allowed HCP to provide greater resources toward various programs.

For the year ended December 31, 2021, donated services recognized in the Statement of Activities and Change in Net Assets totaled \$157,896. For the year ended December 31, 2021, donated materials recognized in the Statement of Activities and Change in Net Assets totaled \$168,250, none of which were in-kind cost sharing from project partners. These amounts are included in Program Services on the Statement of Functional Expenses.

9. LEASE COMMITMENTS

HCP leases office space in four locations, including Norwich and Waterbury, Vermont, Silver Spring, Maryland and Addis Ababa Ethiopia.

A six month lease for the space in Norwich, Vermont was initiated in September 2020 and renewed for an additional six month period at a rate of \$5,400 per period. On September 1, 2021, a new sixteen month lease was established with a monthly rate of \$1,600 to extend through December 31, 2022.

As of March 1, 2020, the Waterbury, Vermont office moved to a new location and signed a lease with an initial term of sixty months. The annual base rent is \$2,000 per month and will increase to \$2,200 from March 1, 2021 through February 28, 2023 and will increase to \$2,500 from March 1, 2023 through February 28, 2025.

A Silver Spring lease addendum was established to start on August 1, 2020 setting a month to month rate of \$1,056 with a 90 day termination clause for one office suite. Beginning April 1, 2022 a 12 month lease extension was put in place which included a second office suite. The combined monthly rent for both suites is \$1,765 terminating March 31, 2023.

The Silver Spring warehouse and storage lease began in May 2012 and is currently on a month-to-month basis. Base rent varies due to the amount of inventory being housed.

The Addis Ababa lease represents both office and warehouse space. The lease agreement term extends from March 13, 2020 until March 14, 2024 with an advance payment of 12 months upon signing of the agreement. The annual lease (inclusive of taxes) is 1,159,200 Ethiopian Birr (equivalent to approximately \$23,700) per year. Payments will be made on a rolling six month basis with no escalation clause.

The following is a schedule of the future minimum lease payments:

Year Ending December 31,

2022	\$ 88,267
2023	58,309
2024	41,807
2025	5,000
	<u>\$ 193,383</u>

Rent expense for the year ended December 31, 2021 was \$89,769 and is included in Facilities on the accompanying Statement of Functional Expenses.

HIMALAYAN CATARACT PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

10. RETIREMENT PLAN

HCP provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with six months of eligible experience and that are at least 21 years old. HCP provides a 3% contribution based on the employee's compensation. Contributions to the Plan during the year ended December 31, 2021 totaled \$55,819 and are included in payroll and related expenses on the accompanying Statement of Functional Expenses.

HCP contributes 11% of an employee's basic monthly salary to each employee's pension plan as per Ethiopian government requirement, Labour Proclamation No.1156/2019, and to which the employee contributes 7% of their basic salary. In total, the pension plan for employees is 18% of their basic monthly salary which is deposited monthly to the Private Organization Employee Social Security Agency (POESSA) account. Each employee has a pension identification number and the pension payable is accounted for using this number. Contributions to the Plan during the year ended December 31, 2021 totaled \$12,742 and are included in payroll and related expenses on the accompanying Statement of Functional Expenses.

11. VENDOR DEPOSITS

HCP has made deposits with vendors for the purchase of equipment and consumables for the procurement program. Once final payment is made by HCP and the goods are shipped, the expenses are allocated to specific programs. As of year-end, December 31, 2021, vendor deposits totaled \$391,521.

12. SUBSEQUENT EVENTS

In preparing these financial statements, HCP has evaluated events and transactions for potential recognition or disclosure through May 27, 2022, the date the financial statements were issued.