

**FINANCIAL STATEMENTS**

**HIMALAYAN CATARACT PROJECT, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2022  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2021**

# HIMALAYAN CATARACT PROJECT, INC.

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## CPAs & ADVISORS

### 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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



July 31, 2023

## HIMALAYAN CATARACT PROJECT, INC.

**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2022**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

**ASSETS**

	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 20,526,564	\$ 8,526,615
Investments	6,024,726	6,827,248
Grants and contributions receivable	3,040,229	1,053,356
Interest receivable	12,933	10,012
Inventory	2,405,614	1,296,305
Deposits on equipment and consumables	91,950	391,521
Prepaid expenses	<u>165,239</u>	<u>63,162</u>
Total current assets	<u>32,267,255</u>	<u>18,168,219</u>
<b>FIXED ASSETS</b>		
Vehicles	36,690	36,690
Property and equipment	178,634	23,080
Construction in progress	1,583,102	783,046
Less: Accumulated depreciation	<u>(50,726)</u>	<u>(14,651)</u>
Net fixed assets	<u>1,747,700</u>	<u>828,165</u>
<b>OTHER ASSETS</b>		
Security deposits	4,650	3,250
Grants and contributions receivable, net of current portion and present value discount	<u>144,604</u>	<u>395,213</u>
Total other assets	<u>149,254</u>	<u>398,463</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 34,164,209</u></b>	<b><u>\$ 19,394,847</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 957,406	\$ 776,831
Accrued salaries and related benefits	127,820	78,428
Deferred revenue	<u>699,452</u>	<u>-</u>
Total liabilities	<u>1,784,678</u>	<u>855,259</u>
<b>NET ASSETS</b>		
Without donor restrictions	28,380,169	14,106,150
With donor restrictions	<u>3,999,362</u>	<u>4,433,438</u>
Total net assets	<u>32,379,531</u>	<u>18,539,588</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 34,164,209</u></b>	<b><u>\$ 19,394,847</u></b>

See accompanying notes to financial statements.

## HIMALAYAN CATARACT PROJECT, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 23,580,525	\$ 710,860	\$ 24,291,385	\$ 8,408,312
Foundation grants	142,000	1,567,741	1,709,741	3,203,396
Contributed services and materials	512,847	-	512,847	326,146
Government grants	174,400	-	174,400	-
Investment (loss) income, net	(756,302)	-	(756,302)	700,585
Technology and procurement program revenue	138,947	-	138,947	248,401
Other revenue	36,940	-	36,940	735
Net assets released from donor restrictions	<u>2,712,677</u>	<u>(2,712,677)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>26,542,034</u>	<u>(434,076)</u>	<u>26,107,958</u>	<u>12,887,575</u>
<b>EXPENSES</b>				
Program Services:				
Eye Care and Education	<u>8,780,658</u>	<u>-</u>	<u>8,780,658</u>	<u>6,737,522</u>
Supporting Services:				
Management and General	2,293,769	-	2,293,769	1,461,602
Fundraising	<u>1,193,588</u>	<u>-</u>	<u>1,193,588</u>	<u>598,397</u>
Total supporting services	<u>3,487,357</u>	<u>-</u>	<u>3,487,357</u>	<u>2,059,999</u>
Total expenses	<u>12,268,015</u>	<u>-</u>	<u>12,268,015</u>	<u>8,797,521</u>
Change in net assets before other item	14,274,019	(434,076)	13,839,943	4,090,054
<b>OTHER ITEM</b>				
Extinguishment of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>317,454</u>
Change in net assets after other item	14,274,019	(434,076)	13,839,943	4,407,508
Net assets at beginning of year	<u>14,106,150</u>	<u>4,433,438</u>	<u>18,539,588</u>	<u>14,132,080</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 28,380,169</u></b>	<b><u>\$ 3,999,362</u></b>	<b><u>\$ 32,379,531</u></b>	<b><u>\$ 18,539,588</u></b>

## HIMALAYAN CATARACT PROJECT, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022				2021	
	Program Services	Supporting Services			Total Expenses	Total Expenses
	Eye Care and Education	Management and General	Fundraising	Total Supporting Services		
Payroll and related expenses	\$ 1,819,371	\$ 1,471,216	\$ 729,345	\$ 2,200,561	\$ 4,019,932	\$ 2,703,224
Subrecipients:						
Ethiopia	2,346,113	24,630	-	24,630	2,370,743	1,846,178
Ghana	2,221,031	-	-	-	2,221,031	1,339,757
Nepal	555,080	-	-	-	555,080	1,153,290
South Sudan	454,385	666	-	666	455,051	75,087
Tanzania	425,078	-	-	-	425,078	-
Bhutan	231,160	-	-	-	231,160	156,842
Other (Rwanda, Sierra Leone, Kenya)	166,666	27	-	27	166,693	246,122
India	56,431	-	-	-	56,431	107,500
Communications, digital marketing, website	3,033	62,786	282,845	345,631	348,664	57,490
Travel	221,362	120,203	5,849	126,052	347,414	82,361
Facilities	66,268	82,281	9,623	91,904	158,172	117,348
Other	317	97,703	40,657	138,360	138,677	142,214
Computer and software	411	88,249	44,354	132,603	133,014	102,726
Subcontractors	51,997	49,794	30,015	79,809	131,806	46,408
Legal and accounting fees	-	127,281	-	127,281	127,281	73,090
Procurement program	85,697	4,513	-	4,513	90,210	388,528
Consulting - Strategic development	-	79,835	-	79,835	79,835	5,475
Printing and reproduction	2,590	12,099	40,473	52,572	55,162	47,239
Depreciation	33,921	1,543	611.00	2,154	36,075	2,568
Supplies	10,709	18,171	921	19,092	29,801	9,946
Memberships	-	29,551	-	29,551	29,551	19,202
Telephone and internet	12,834	10,004	4,746	14,750	27,584	35,410
Bank charges	13,724	6,947	10	6,957	20,681	16,338
Shipping and postage	2,480	6,270	4,139	10,409	12,889	21,582
Bad debt	-	-	-	-	-	1,596
<b>TOTAL</b>	<b>\$ 8,780,658</b>	<b>\$ 2,293,769</b>	<b>\$ 1,193,588</b>	<b>\$ 3,487,357</b>	<b>\$ 12,268,015</b>	<b>\$ 8,797,521</b>

See accompanying notes to financial statements.

## HIMALAYAN CATARACT PROJECT, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 13,839,943	\$ 4,407,508
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	36,075	2,568
Unrealized loss (gain)	5,608,022	(396,596)
Realized gain	(4,699,795)	(214,030)
Discount on long-term receivables	609	(3,100)
Receipt of contributed securities	(16,298,092)	(292,446)
Proceeds from the sale of contributed securities	16,360,520	251,089
Extinguishment of debt	-	(317,454)
(Increase) decrease in:		
Grants and contributions receivable	(1,736,873)	667,442
Interest receivable	(2,921)	(4,160)
Inventory	(1,109,309)	(494,438)
Deposits on equipment and consumables	299,571	(163,040)
Prepaid expenses	(102,077)	(29,656)
Security deposits	(1,400)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	180,577	363,327
Accrued salaries and related benefits	49,392	29,942
Deferred revenue	<u>699,452</u>	<u>(1,425)</u>
Net cash provided by operating activities	<u>13,123,694</u>	<u>3,805,531</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(955,610)	(733,052)
Purchase of investments	(3,924,823)	(1,916,499)
Proceeds from sale of investments	<u>3,756,688</u>	<u>1,533,056</u>
Net cash used by investing activities	<u>(1,123,745)</u>	<u>(1,116,495)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan payable - Paycheck Protection Program	-	3,356
Payment on loan - Paycheck Protection Program	<u>-</u>	<u>(22,994)</u>
Net cash used by financing activities	<u>-</u>	<u>(19,638)</u>
Net increase in cash and cash equivalents	11,999,949	2,669,398
Cash and cash equivalents at beginning of year	<u>8,526,615</u>	<u>5,857,217</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 20,526,564</u></b>	<b><u>\$ 8,526,615</u></b>
<b>SUPPLEMENTAL INFORMATION:</b>		
<b>Interest Paid</b>	<b><u>\$ 285</u></b>	<b><u>\$ 7,034</u></b>

See accompanying notes to financial statements.

# HIMALAYAN CATARACT PROJECT, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

### 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, 2021, from which the summarized information was derived.

#### New accounting pronouncements adopted -

During 2022, HCP adopted ASU 2019-01, *Leases* (Topic 842), which changed 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. HCP applied the new standard using the modified retrospective approach and adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. HCP determined the presentation of the operating leases under Topic 842 was not material to the Statement of Financial Position and therefore, the ASU did not have a significant impact on the financial statements. See Note 8 for further details.

## HIMALAYAN CATARACT PROJECT, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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

New accounting pronouncements adopted (continued) -

During the year ended December 31, 2022, HCP adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles in the United States (U.S. 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 a NFP's programs and other activities. The ASU was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

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 (loss) 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.

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, 2022 totaled \$36,075.

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 2023.

## HIMALAYAN CATARACT PROJECT, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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

##### 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, 2022, 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 valued at average cost with distributions occurring on a first-in, first-out basis 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.

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.

## HIMALAYAN CATARACT PROJECT, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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

##### Contributions and grants (continued) -

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 deferred revenue. For contributions and grants treated as contributions, HCP had approximately \$500,000 in unrecognized conditional awards as of December 31, 2022.

Grants and contracts and program services revenue 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. Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by HCP. 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.

##### 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.

# HIMALAYAN CATARACT PROJECT, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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

#### 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.

#### New accounting pronouncement not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for HCP for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

HCP plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard 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.

**HIMALAYAN CATARACT PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**2. INVESTMENTS (Continued)**

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, 2022.

- *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.
- *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, 2022. 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, 2022:

<b>Asset Class:</b>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 2,257,645	\$ -	\$ -	\$ 2,257,645
Stocks	2,074,891	-	-	2,074,891
U.S. Government securities	227,630	-	-	227,630
Corporate bonds	-	977,870	-	977,870
Certificates of deposit	-	486,690	-	486,690
<b>TOTAL</b>	<b><u>\$ 4,560,166</u></b>	<b><u>\$ 1,464,560</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,024,726</u></b>

Included in investment loss are the following for the year ended December 31, 2022:

Interest and dividends	\$ 193,428
Unrealized loss	(5,608,022)
Realized gain	4,699,795
Management fees	<u>(41,503)</u>
<b>TOTAL INVESTMENT LOSS, NET</b>	<b><u>\$ (756,302)</u></b>

**3. GRANTS AND CONTRIBUTIONS RECEIVABLE**

As of December 31, 2022, donors to HCP have made written promises to give totaling \$3,190,229. 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).

**HIMALAYAN CATARACT PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**3. GRANTS AND CONTRIBUTIONS RECEIVABLE (Continued)**

Grants and contributions are due as follows at December 31, 2022:

Less than one year	\$ 3,040,229
One to five years	<u>150,000</u>
Total	3,190,229
Less: Allowance to discount balance to present value	<u>(5,396)</u>

**GRANTS AND CONTRIBUTIONS RECEIVABLE** **\$ 3,184,833**

**4. BOARD DESIGNATED NET ASSETS**

As of December 31, 2022, net assets without donor restrictions have been designated by the Board of Directors for the following purposes:

Fund	Purpose	2022
Reserve Fund	To support administrative expenses and unusual expenses.	\$ 4,631,816
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>
<b>BOARD DESIGNATED NET ASSETS</b>		<b><u>\$ 6,189,184</u></b>

**5. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at December 31, 2022:

Program restrictions:	
Ethiopia	\$ 1,022,043
South Sudan	625,309
Bhutan	491,049
Ghana	455,639
Ghana/Ethiopia/Nepal	183,350
Africa	119,400
Ghana/Ethiopia	99,992
Bhutan/Nepal	94,000
India/Eritrea	82,247
Nepal	70,747
Equipment and Consumables	55,000
Ophthalmology Fellowship Program	50,000
Thailand	26,100
Ethiopia/Eritrea	14,936
Outreach	13,946
South East Asia	<u>1,000</u>
Subtotal	3,404,758
Subject to the passage of time	<u>594,604</u>
<b>TOTAL NET ASSETS WITH RESTRICTIONS</b>	<b><u>\$ 3,999,362</u></b>

HIMALAYAN CATARACT PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

5. 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	\$ 756,446
Ghana	484,119
South Sudan	374,691
Nepal	321,379
Data Standards/M&E	230,890
Bhutan	83,951
Outreach	76,087
Tanzania	25,000
Ghana/Ethiopia	9,063
Ghana/Ethiopia/Nepal	1,051
Passage of time	<u>350,000</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 2,712,677</u></b>

6. LIQUIDITY

Financial assets available for use within one year of the Statement of Financial Position comprise the following at December 31, 2022:

Cash and cash equivalents	\$ 20,526,564
Investments	6,024,726
Grants and contributions receivable, current	3,040,229
Interest receivable	12,933
Less: Donor restricted funds, less amounts time restricted and to be released in 2023	(3,554,758)
Less: Board designated funds	<u>(4,631,816)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 21,417,878</u></b>

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.

7. CONTRIBUTED SERVICES AND MATERIALS

During the year ended December 31, 2022, HCP was the beneficiary of many donated goods and a significant amount of services which allowed HCP to provide greater resources toward various programs.

# HIMALAYAN CATARACT PROJECT, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

### 7. CONTRIBUTED SERVICES AND MATERIALS (Continued)

For the year ended December 31, 2022, donated services recognized in the Statement of Activities and Change in Net Assets totaled \$155,934. For the year ended December 31, 2022, donated materials recognized in the Statement of Activities and Change in Net Assets totaled \$356,913, none of which were in-kind cost sharing from project partners or donor imposed restrictions. These amounts are included in Program Services on the Statement of Functional Expenses.

### 8. 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, and again through December 31, 2025 at a monthly rate of \$1,940.

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 through March 31, 2023. In April 2023, the lease was extended through March 31, 2024 at a monthly rate of \$1,818.

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,

2023	\$	109,313
2024		89,375
2025		58,921
2026		<u>15,320</u>
	\$	<u><u>272,929</u></u>

Rent expense for the year ended December 31, 2022 was \$107,782 and is included in Facilities on the accompanying Statement of Functional Expenses.

## HIMALAYAN CATARACT PROJECT, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 9. RETIREMENT PLAN

HCP provides retirement benefits to its US 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, 2022 totaled \$106,944 and are included in payroll and related expenses on the accompanying Statement of Functional Expenses.

For Ethiopian employees, 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, 2022 totaled \$28,687 and are included in payroll and related expenses on the accompanying Statement of Functional Expenses.

#### 10. 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, 2022, vendor deposits totaled \$91,950.

#### 11. SUBSEQUENT EVENTS

In preparing these financial statements, HCP has evaluated events and transactions for potential recognition or disclosure through July 31, 2023, the date the financial statements were issued.