

Seva Foundation

Financial Statements

June 30, 2021
(With Comparative Totals for 2020)



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Seva Foundation
Berkeley, California

We have audited the accompanying financial statements of Seva Foundation (a California nonprofit corporation) (the "Foundation"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 from 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 Seva Foundation as of June 30, 2021, and the changes 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.

Report on Summarized Comparative Information

We have previously audited Seva Foundation's 2020 financial statements, and our report dated December 7, 2020 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
San Ramon, California

November 15, 2021

Seva Foundation
Statement of Financial Position
June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,002,412	\$ 1,364,518
Cash advances	28,831	42,118
Accounts receivable	38,907	70,246
Contributions receivable, current	62,094	488,855
Note receivable, current	4,808	4,574
Investments, current	35,643,432	34,575,948
Inventory	9,232	9,964
Prepaid and other current assets	229,126	152,962
Total current assets	37,018,842	36,709,185
Non-current assets		
Investments held for endowment	1,449,878	1,099,606
Contributions receivable, net of current portion	32,094	95,510
Note receivable, net of current portion	261,213	266,021
Property and equipment, net	7,642	14,274
Total non-current assets	1,750,827	1,475,411
Total assets	\$ 38,769,669	\$ 38,184,596
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 49,304	\$ 161,182
Accrued salaries and wages	362,010	412,075
Grants payable	294,204	505,402
Deferred revenue	-	31,178
Note payable - Paycheck Protection Program, current	-	150,579
Total current liabilities	705,518	1,260,416
Note payable - Paycheck Protection Program, net of current portion	-	191,796
Total liabilities	705,518	1,452,212
Net assets		
Without donor restrictions		
Undesignated	531,727	3,392,184
Board-designated reserves	34,438,129	30,020,050
Total without donor restrictions	34,969,856	33,412,234
With donor restrictions	3,094,295	3,320,150
Total net assets	38,064,151	36,732,384
Total liabilities and net assets	\$ 38,769,669	\$ 38,184,596

The accompanying notes are an integral part of these financial statements.

Seva Foundation
Statement of Activities
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenues, gains, and other support				
Contributions and grants	\$ 3,023,280	\$ 3,149,653	\$ 6,172,933	\$ 6,408,100
In-kind contributions	441,407	209,206	650,613	534,512
Special events, net of direct expenses of \$77,218 and \$75,222, respectively	24,427	-	24,427	7,732
Forgiveness of notes payable - Paycheck Protection Program	842,375	-	842,375	-
Service fees	31,178	-	31,178	277,035
Realized and unrealized gains on investments	3,792,550	337,228	4,129,778	1,425,723
Dividend and interest income	638,380	13,044	651,424	716,424
Other revenue	24,219	-	24,219	12,134
Net assets released from restriction	<u>3,934,986</u>	<u>(3,934,986)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>12,752,802</u>	<u>(225,855)</u>	<u>12,526,947</u>	<u>9,381,660</u>
Functional expenses				
Program services	8,683,495	-	8,683,495	7,516,390
Management and general	1,560,115	-	1,560,115	1,281,584
Fundraising	<u>951,570</u>	<u>-</u>	<u>951,570</u>	<u>1,100,586</u>
Total functional expenses	<u>11,195,180</u>	<u>-</u>	<u>11,195,180</u>	<u>9,898,560</u>
Non-operating				
Loss on sale of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,442)</u>
Total non-operating	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,442)</u>
Change in net assets	1,557,622	(225,855)	1,331,767	(557,342)
Net assets, beginning of year	<u>33,412,234</u>	<u>3,320,150</u>	<u>36,732,384</u>	<u>37,289,726</u>
Net assets, end of year	<u>\$ 34,969,856</u>	<u>\$ 3,094,295</u>	<u>\$ 38,064,151</u>	<u>\$ 36,732,384</u>

The accompanying notes are an integral part of these financial statements.

Seva Foundation
Statement of Functional Expenses
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Program Services			Support Services		2021 Total	2020 Total	
	International Development Education	Global Sight Initiative	Seeing is Believing Cambodia	Total Program Services	Management and General			Fundraising
Salaries and wages	\$ 58,275	\$ 1,319,443	\$ 2,250	\$ 1,379,968	\$ 608,184	\$ 392,663	\$ 2,380,815	\$ 2,269,228
Employee benefits	12,471	195,212	-	207,683	149,444	93,314	450,441	484,401
Grant payments	-	4,538,892	3,250	4,542,142	-	-	4,542,142	3,625,013
Community outreach / eye camps	-	285,152	13,900	299,052	-	-	299,052	409,725
Program training, monitoring and evaluation	-	148,124	1,798	149,922	-	-	149,922	419,525
Equipment	-	742,665	-	742,665	3,777	2,220	748,662	258,999
Program consultants	-	822,553	9,980	832,533	-	-	832,533	462,696
Travel	-	2,362	-	2,362	2	-	2,364	94,433
Dues, subscriptions, conferences and fees	-	92,094	-	92,094	24,630	22,814	139,538	156,602
Professional services	-	61,098	-	61,098	338,548	76,960	476,606	647,119
Office expenses	21	40,816	-	40,837	27,417	19,290	87,544	82,396
Office rent and utilities	-	62,654	-	62,654	48,492	46,990	158,136	159,444
Insurance	-	11,376	-	11,376	11,350	8,532	31,258	24,910
Repairs and maintenance	-	-	-	-	713	72,111	72,824	55,540
Advertising	232,855	9,526	-	242,381	270,015	175,862	688,258	620,336
Other expenses	-	16,728	-	16,728	70,911	40,814	128,453	121,010
Depreciation	-	-	-	-	6,632	-	6,632	7,183
	<u>\$ 303,622</u>	<u>\$ 8,348,695</u>	<u>\$ 31,178</u>	<u>\$ 8,683,495</u>	<u>\$ 1,560,115</u>	<u>\$ 951,570</u>	<u>\$ 11,195,180</u>	<u>\$ 9,898,560</u>

The accompanying notes are an integral part of these financial statements.

Seva Foundation
Statement of Cash Flows
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 1,331,767	\$ (557,342)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	6,632	7,183
Loss on sale of assets	-	40,442
Realized and unrealized gains on investments	(4,129,778)	(1,425,723)
Forgiveness of notes payable - Paycheck Protection Program	(842,375)	-
Changes in operating assets and liabilities		
Cash advances	13,287	1,176
Accounts receivable	31,339	(5,566)
Contributions receivable	490,177	105,555
Inventory	732	(2,200)
Grant advances	-	320,599
Prepaid expenses and other current assets	(76,164)	(46,145)
Accounts payable	(111,878)	25,762
Accrued salaries and wages	(50,065)	69,349
Grants payable	(211,198)	471,842
Deferred revenue	(31,178)	(71,370)
Net cash used in operating activities	<u>(3,578,702)</u>	<u>(1,066,438)</u>
Cash flows from investing activities		
Payment on note receivable	4,574	4,352
Purchases of investments	(637,978)	(71,544,303)
Proceeds from the sale of investments	3,350,000	72,546,518
Proceeds from sale of property and equipment	-	84,558
Net cash provided by investing activities	<u>2,716,596</u>	<u>1,091,125</u>
Cash flows from financing activities		
Proceeds from borrowings under notes payable - Paycheck Protection Program	<u>500,000</u>	<u>342,375</u>
Net cash provided by financing activities	<u>500,000</u>	<u>342,375</u>
Net increase (decrease) in cash and cash equivalents	(362,106)	367,062
Cash and cash equivalents, beginning of year	<u>1,364,518</u>	<u>997,456</u>
Cash and cash equivalents, end of year	<u>\$ 1,002,412</u>	<u>\$ 1,364,518</u>

The accompanying notes are an integral part of these financial statements.

Seva Foundation
Notes to Financial Statements
June 30, 2021

1. NATURE OF OPERATIONS

Seva Foundation ("Seva" or the "Foundation"), a California nonprofit corporation, is a global eye care organization that transforms lives by restoring sight and preventing blindness. Since 1978, Seva has provided sight-saving surgeries, eyeglasses, medicine, and other eye care services to more than 40 million people in underserved communities around the world.

Globally, at least 2.2 billion people have a vision impairment, and of these, at least 1 billion people have a vision impairment that could have been prevented or has yet to be addressed. Seva's programs have been instrumental in making eye care available to those who can't afford it. The programs are driven by 4 pillars - establishing self sustaining vision centers, eye care for kids, bringing the best in technology, and training and job creation.

Seva believes that restoring sight is one of the most cost effective ways to relieve suffering and reduce poverty. When a blind person gets their sight back, they can go back to work and earn and support their family. In more than 20 countries, Seva has helped nearly 5 million people who were blind to regain their sight. Seva also develops and disseminates educational/informational materials as part of its mission to educate the public about the worldwide need for sight restoration and blindness prevention programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

The Foundation reports information regarding its financial position and activities according to two classes of net assets as follows:

- *Net assets without donor restrictions* - net assets not subject to donor-imposed stipulations. Net assets without donor restrictions includes a board-designated operating reserve.
- *Net assets with donor restrictions* - net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time, as well as net assets subject to donor-imposed stipulations that require they be maintained in perpetuity. Net assets with donor restrictions also include the portion of donor-restricted endowment funds that have not yet been appropriated for expenditure by the Foundation.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Seva Foundation
Notes to Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. Revenue from contributions and investment income are not impacted by this new standard. The Foundation adopted ASU 2014-09 with a date of the initial application of July 1, 2020, using the full retrospective method.

The adoption of ASU 2014-09 did not have a significant impact on the Foundation's financial position, result of operations, or cash flows.

Contributions

Contributions and grants are derived from contributions from individuals, foundations, corporations and governmental agencies. Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until conditions have been substantially met and they become unconditional; that is when the related barrier has been overcome and right of release/right of return no longer exists. Contributions that are promised in one year but are not expected to be collected until after the end of that year are considered contributions receivable and are recorded at fair value by discounting at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. No discount was recorded as of June 30, 2021 as the amount was determined to be immaterial. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and current aging of the promise to give. There was no allowance for uncollectible contributions at June 30, 2021 as all balances were considered collectible.

A portion of the Foundation's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract or grant provisions.

Seva Foundation
Notes to Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind contributions

Donations of materials are recorded as support at their estimated fair value on the date of the donation. Donated services are recognized as contribution revenue at the fair value of those services, if the services (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2021, the Foundation received \$650,613 of in-kind contributions (see Note 11).

Revenue recognition

Service fee revenue is recognized in the period in which the service has been provided and the performance obligation fulfilled. Deferred revenue includes funds received in advance for which the Foundation has not performed the services.

Cash and cash equivalents

The Foundation considers all highly liquid investments, with a maturity of three months or less at the time of purchase, to be cash equivalents. The Foundation holds its available cash in an interest bearing money market fund with a major United States bank and with brokerage houses.

Cash advances

Cash advances represent cash transferred to the Foundation's foreign offices for program services which have not been expended as of June 30, 2021.

The foreign offices and their respective cash advance balances at June 30, 2021 consist of the following:

Nepal	\$ 15,062
Cambodia	<u>13,769</u>
	<u>\$ 28,831</u>

Accounts receivable

Accounts receivable consist of trade receivables, amounts due from government entities under cost-reimbursable agreements, and other miscellaneous amounts owed to the Foundation.

The Foundation uses the allowance method to account for uncollectible receivables. The allowance for doubtful accounts reflects management's best estimate of the amounts that will not be collected based on historical experience and an evaluation of the outstanding receivables at year end. At June 30, 2021, all receivables are considered fully collectible; therefore, there is no allowance for doubtful accounts.

Seva Foundation
Notes to Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grant advances and grants payable

Unconditional grants are recognized as grant expense and a liability when the Foundation approves the grants. Unconditional grants that are expected to be paid in more than one year are measured at net realizable value, which is calculated using the present value of the estimated future cash flows. Grant refunds are recorded as receivables and as a reduction of grant expense at the time the Foundation becomes aware the grant will be refunded. Unconditional grants approved during the year and payable to recipients as of June 30, 2021 amounted to \$294,204.

Grants provided on a conditional basis are recognized as grant expense when services are performed and when the barrier has been overcome by the grantees and the right of release/right of return no longer exists (condition is fulfilled). The Foundation occasionally advances funds to grantees that have not yet performed the services necessary to recognize the revenue; such funds are refundable to the Foundation and are recorded as grant advances until services are performed. At June 30, 2021, there were no grant advances.

Inventory

Inventory consists of an assortment of merchandise such as t-shirts, decal stickers, and CDs sold by the Foundation on its website and is relieved on an average cost basis. Proceeds from inventory sales are used to further the Foundation's mission.

Investments

Investments are comprised of money market funds, common stock and mutual fund securities and are recorded at fair value as determined by quoted market prices in active markets. Unrealized and realized gains and losses are reflected as increases or decreases in net assets without donor restrictions, unless their use is restricted by the donor.

Investments received by donation are recorded at fair value at the date of donation and are sold as soon as practical after receipt, and are classified based on the donor's intention.

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Foundation determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

The three-level hierarchy for fair value measurements is defined as follows:

- *Level 1* inputs to the valuation methodology - quoted prices (unadjusted) for identical assets or liabilities in active markets.

Seva Foundation
Notes to Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 2* inputs to the valuation methodology - quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the investment.
- *Level 3* inputs to the valuation methodology - unobservable and significant to the fair value measurement.

An asset's or liability's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used to estimate the fair value of financial instruments recorded on a recurring basis:

- *Level 1* - Securities traded on security exchanges are valued at closing market prices on the date closest to June 30.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation, or, if donated, at the fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets which range from 3 to 5 years. The Foundation capitalizes assets with a cost or donated value of \$5,000 or more and an estimated life greater than one year.

Advertising costs

Advertising costs are charged to expenses as incurred by the Foundation.

Functional expenses

The Foundation's costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Direct costs associated with specific programs are recorded as program expenses. Program expenses include allocable management and general expenses. Payroll costs are allocated based on a percentage of time, all other expenses are allocated pro rata based on number of employees. Management and general expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation, are shown separately.

Seva Foundation
Notes to Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measure of operations

The Foundation's measure of operations is its changes in net assets from operating activities, which includes operating revenues without donor restrictions, operating revenues with donor-stipulated time or purpose restrictions, and expenses that are an integral part of its programs and supporting activities. Contributions without donor restrictions and net assets released from donor restrictions to support its operating activities are also included.

Income tax status

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and by California Revenue and Taxation Code Section 23701d. Accordingly, no provision for federal or state income taxes has been recorded.

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained, and changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Foundation has evaluated its current tax positions and has concluded that as of June 30, 2021, it does not have any significant uncertain tax positions for which a reserve would be necessary.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Concentrations of credit risk

The Foundation maintains its cash balances at various financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Money market funds are protected under the Securities Investor Protection Corporation (SIPC) up to \$500,000, with an additional private insurance purchased by the financial institution up to \$1,900,000. At various times throughout the year, the balances in these accounts may be in excess of insured amounts. The Foundation has not experienced any losses in such accounts and management believes that it is not exposed to any significant risk on these excess deposits.

Seva Foundation
Notes to Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summarized financial information

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements, as of, and for the year ended June 30, 2020, from which the summarized information was derived.

Reclassifications

Certain items in the prior year financial statements were reclassified to conform to the current presentation. The reclassifications had no effect on prior year change in net assets or ending net assets.

Subsequent events

The Foundation has evaluated subsequent events through November 15, 2021, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Foundation's financial statements

3. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give, which are not expected to be collected until after the year promised, are reflected in the accompanying financial statements as contributions receivable and revenue in the appropriate net asset category.

Contributions receivable consisted of the following:

Receivable in less than one year	\$ 62,094
Receivable in one to five years	<u>32,094</u>
	<u>\$ 94,188</u>

The contributions receivable balance as of June 30, 2021 was comprised of amounts due from two donors.

4. NOTE RECEIVABLE

On April 12, 2018, the Foundation sold certain real property in Sonoma, California. The buyer financed part of the sale with a \$279,422 note receivable due to the Foundation. The 30-year note includes combined monthly principal and interest payments of \$1,500, bears interest of 5% per year, and is secured by a deed of trust. The outstanding note receivable balance as of June 30, 2021 amounted to \$266,021.

Seva Foundation
Notes to Financial Statements
June 30, 2021

4. NOTE RECEIVABLE (continued)

Future minimum principal receipts are as follows:

<u>Year ending June 30,</u>	
2022	\$ 4,808
2023	5,054
2024	5,313
2025	5,585
2026	5,870
Thereafter	<u>239,391</u>
	266,021
Current portion	<u>(4,808)</u>
	<u>\$ 261,213</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Leasehold improvements	\$ 47,104
Furniture and fixtures	<u>116,575</u>
	163,679
Accumulated depreciation and amortization	<u>(156,037)</u>
	<u>\$ 7,642</u>

Depreciation expense amounted to \$6,632 for the year ended June 30, 2021.

6. INVESTMENTS

Investments consisted of the following:

Money market funds	\$ 1,220,532
Equity securities	13,856,770
Mutual funds and exchange traded funds	<u>22,016,008</u>
	<u>\$ 37,093,310</u>

Seva Foundation
Notes to Financial Statements
June 30, 2021

7. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money market fund	\$ 1,220,532	\$ -	\$ -	\$ 1,220,532
Equity securities	13,856,770	-	-	13,856,770
Mutual funds and exchange traded funds	<u>22,016,008</u>	<u>-</u>	<u>-</u>	<u>22,016,008</u>
	<u>\$ 37,093,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,093,310</u>

8. PAYCHECK PROTECTION PROGRAM LOAN

On April 23, 2020, the Foundation received loan proceeds of \$342,375 from a promissory note issued by Mechanics Bank, under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and is administered by the U.S. Small Business Administration. The term of the loan was two years and the annual interest rate was 1.00%. Payments of principal and interest were deferred for the first ten months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations.

On February 13, 2021, the Foundation received a second disbursement of PPP loan proceeds in the amount of \$500,000, also issued through a promissory note from Mechanics Bank. The term of the loan was five years and the annual interest rate was 1.00% with principal and interest being deferred up to the first ten months of the loan. Consistent with the terms of the first PPP loan, the Foundation can apply for and can be granted forgiveness for all or a portion of the loan proceeds. The loans were originally accounted for as financial liabilities in accordance with applicable accounting guidance, with extinguishments of the debt to take place when the Foundation is legally released as the primary obligor.

During the year ended June 30, 2021 the Foundation applied for forgiveness of the first and second PPP loans and received notification on March 16, 2021 and June 29, 2021, respectively, that the Foundation's forgiveness applications had been reviewed by the SBA and that the principal balance and related accrued interest for both loans had been forgiven in full. The forgiveness of the loans totaling \$842,375 has been recorded as a gain on the statement of activities.

Seva Foundation
Notes to Financial Statements
June 30, 2021

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Restricted for a specified purpose or passage of time	
GSI/Sight programs	\$ 1,550,229
Contributions receivable without donor restrictions	94,188
Endowment earnings	<u>426,773</u>
	<u>2,071,190</u>
To be held in perpetuity	
Endowment	<u>1,023,105</u>
	<u>1,023,105</u>
	<u>\$ 3,094,295</u>

Net assets with donor restrictions released from restriction during the year were as follows:

GSI/Sight programs	\$ 3,900,910
Collection of contributions receivable without donor restrictions	<u>34,076</u>
	<u>\$ 3,934,986</u>

10. ENDOWMENT

The Foundation's endowment includes donor-restricted funds. As required by generally accepted accounting principles, 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's Board of Directors has interpreted the California enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") 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 perpetual in nature restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) additions to the endowment in accordance with donor directions. The remaining portion of the donor-restricted endowment fund that is not classified in perpetual in nature is classified as purpose 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:

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10. ENDOWMENT (continued)

Interpretation of relevant law (continued)

- (1) The duration and preservation of the fund
- (2) The purposes of the organization 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

Spending policy

If the donor does not restrict the allowed use of the income, the Foundation may determine the income's availability to the Foundation's operations. The Foundation does not currently have a spending policy as it has elected to not spend from the donor restricted perpetual endowment fund until the principal amount exceeds \$3,000,000.

Investment policy

The Foundation has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Under this policy, as approved by the Board, the endowment assets are invested in readily marketable debt and equity securities. To satisfy its long-term objectives, the Foundation relies on a strategy in which investment returns are achieved through current yield (interest and dividends) and unrealized and realized gains from changes in market value.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Such deficiencies may result from unfavorable market fluctuations that occurred after the investment of new donor-restricted endowment contributions and continued appropriation for certain programs that was deemed prudent by the Board. Management has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. There were no such deficiencies at June 30, 2021.

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10. ENDOWMENT (continued)

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,449,878	\$ 1,449,878
	<u>\$ -</u>	<u>\$ 1,449,878</u>	<u>\$ 1,449,878</u>

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	<u>With Donor Restrictions</u>		
	<u>Accumulated Unspent Investment Earnings</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Balance, beginning of year	\$ 76,501	\$ 1,023,105	\$ 1,099,606
Realized and unrealized gain on investments	337,228	-	337,228
Dividend income reinvested	<u>13,044</u>	<u>-</u>	<u>13,044</u>
Balance, end of year	<u>\$ 426,773</u>	<u>\$ 1,023,105</u>	<u>\$ 1,449,878</u>

11. IN-KIND CONTRIBUTIONS

In-kind contributions were comprised of the following:

Advertising	\$ 439,997
Eye glasses and frames	84,646
Ophthalmology professional services	60,008
Program salaries for foreign offices	<u>65,962</u>
	<u>\$ 650,613</u>

12. LEASE OBLIGATIONS

The Foundation leases office space under operating leases, requiring monthly payments ranging from approximately \$1,200 to \$5,300, and expiring at various dates through October 2023.

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12. LEASE OBLIGATIONS (continued)

Future minimum lease payments for facilities and equipment are as follows:

<u>Year ending June 30,</u>	
2022	\$ 125,400
2023	101,400
2024	<u>33,800</u>
	<u><u>\$ 260,600</u></u>

Total rent expense amounted to \$158,136 for the year ended June 30, 2021 and is included as a component of office rent and utilities on the statement of functional expenses.

13. RETIREMENT PLAN

The Foundation has established a defined contributions plan (the "Plan") operating under Section 401(k) of the Internal Revenue Code. Employees are eligible to participate in the Plan after 12 months of service. The Plan provides for contributions to be made by eligible employees and also provides for discretionary contributions to be made by the Foundation on behalf of plan participants. For the year ended June 30, 2021, the Foundation elected to make a discretionary contribution of \$97,366 to the Plan.

14. RELATED PARTY TRANSACTIONS

A summary of the related party transactions as of and for the year ended June 3, 2021 are as follows:

- During fiscal year 2021, a Seva board member funded two loans totaling \$350,000 to a grantee of the Foundation; the board member maintains an investment in the grantee entity of less than 35%. The Foundation made a disbursement to the grantee in the amount of \$100,000 during the year ended June 30, 2021.
- Two Seva board members are directors and/or owners of two separate partner hospitals to the Foundation. The Foundation provided grant funding to the partner hospitals in the amount of \$1,080,275 during the year ended June 30, 2021.
- Contributions received from members of the Foundation's board of directors totaled \$109,246 during the year ended June 30, 2021.

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15. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders, including California, where the Foundation is headquartered. The mandates enforced by public health and governmental authorities to contain and combat the outbreak and spread of COVID-19, adversely affected workforces, economies, and financial markets globally. In response, the U.S. Government enacted the CARES Act, which includes significant provisions to provide relief and assistance to affected organizations. As a qualifying 501(c)(3) organization, the Foundation received two PPP loans through the CARES Act (see Note 8). In addition, the U.S. has experienced significant economic volatility including within financial markets. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders and the ultimate impact of the CARES Act and other governmental initiatives. It is at least reasonably possible that this matter will negatively impact the Foundation. However, the financial impact and duration cannot be reasonably estimated at this time.

The COVID-19 pandemic remains a rapidly evolving situation and while the disruption to the Foundation did not have a material adverse financial impact during the year ended June 30, 2021, uncertainty remains.

16. LIQUIDITY AND FUNDS AVAILABLE

The Foundation regularly monitors liquidity required to meet its operating needs and other commitments, while prudently investing its available funds to ensure the preservation of the funds for future use. The Foundation has various sources of liquidity during the year primarily including cash and cash equivalents and equity securities.

The Foundation considers net assets without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include programmatic expenses, administrative and general expenses, and fundraising expenses that are expected to be paid in the subsequent year.

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16. LIQUIDITY AND FUNDS AVAILABLE (continued)

The table below represents financial assets available to fund general operating expenditures within one year at June 30, 2021:

Financial assets	
Cash and cash equivalents and cash advances	\$ 1,031,243
Accounts receivable	38,907
Contributions receivable	94,188
Note receivable	266,021
Investments	<u>37,093,310</u>
	<u>38,523,669</u>
Less: amounts unavailable for general expenditure within one year:	
Long-term portion of note receivable	(261,213)
Donor-imposed restrictions for a specified purpose or passage of time	(2,071,190)
Donor-imposed restrictions to be held in perpetuity	<u>(1,023,105)</u>
	<u>(3,355,508)</u>
	<u>\$ 35,168,161</u>

Investment assets include the Foundation's board-designated reserves. Although the Foundation does not intend to spend from the board designated reserve (other than amounts appropriated as part of the Board's annual budget approval and infrastructure appropriations), these amounts could be made available if necessary and are, thus, not excluded from the calculation of financial assets available for general expenditure. The appropriation of board-designated reserves approved for spending for the year ending June 30, 2022 totaled \$1,205,303 and is included in investments as of June 30, 2021.