

**SANKARA EYE
FOUNDATION, USA
FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sankara Eye Foundation, USA
San Francisco, California

We have audited the accompanying statement of financial position of Sankara Eye Foundation, USA as of December 31, 2006 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sankara Eye Foundation, USA as of December 31, 2006 and its cash flows and the changes in its net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "Benson & Neff", written over a faint, larger version of the company name.

Benson & Neff
Certified Public Accountants,
A Professional Corporation

San Francisco, California
November 12, 2007

Sankara Eye Foundation, USA

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2006

ASSETS

CURRENT

Cash	\$ 1,738,036
Prepaid expenses	<u>23,175</u>
	1,761,211

MARKETABLE EQUITY SECURITIES (Cost \$13,894) 11,162

\$ 1,772,373

LIABILITIES

CURRENT

Accrued expenses	\$ <u>27,050</u>
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NET ASSETS

UNRESTRICTED 219,647

TEMPORARILY RESTRICTED 1,525,676

1,745,323

\$ 1,772,373

Sankara Eye Foundation, USA

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2006

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED CAPITAL PROJECTS</u>	<u>TOTAL</u>
REVENUE, GAINS (LOSSES) AND OTHER SUPPORT			
Contributions	\$ 756,592	\$ 1,704,862	\$ 2,461,454
Special events, net of expenses of \$221,799	(8,532)	-	(8,532)
Investment income	4,791	-	4,791
Net realized (loss) on marketable equity securities	(104)	-	(104)
Net unrealized gain on marketable equity securities	76	-	76
(Loss) on disposal of equipment	(3,511)	-	(3,511)
NET ASSETS RELEASED FROM RESTRICTIONS:			
Satisfaction of program restrictions	<u>469,000</u>	<u>(469,000)</u>	<u>-</u>
Total revenue and other support	<u>1,218,312</u>	<u>1,235,862</u>	<u>2,454,174</u>
EXPENSES:			
Capital projects	469,000	-	469,000
Cataract surgeries	475,000	-	475,000
General and administrative	116,555	-	116,555
Fundraising and promotion	<u>200,526</u>	<u>-</u>	<u>200,526</u>
Total expenses	<u>1,261,081</u>	<u>-</u>	<u>1,261,081</u>
CHANGE IN NET ASSETS	(42,769)	1,235,862	1,193,093
NET ASSETS, beginning of year	<u>262,416</u>	<u>289,814</u>	<u>552,230</u>
NET ASSETS, end of year	<u>\$ 219,647</u>	<u>\$ 1,525,676</u>	<u>\$ 1,745,323</u>

See Notes to Financial Statements

Sankara Eye Foundation, USA

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2006

	PROGRAM SERVICES		SUPPORTING SERVICES		TOTAL
	CAPITAL PROJECTS	CATARACT SURGERIES	GENERAL & ADMINIS- TRATIVE	FUND RAISING	
Grants	\$ 469,000	\$ 475,000	\$ -	\$ -	\$ 944,000
Advertising and promotions	-	-	-	166,018	166,018
Professional fees	-	-	19,570	1,186	20,756
Office supplies	-	-	2,818	313	3,131
Telephone	-	-	3,404	-	3,404
Postage and shipping	-	-	30,686	3,457	34,143
Building occupancy	-	-	1,970	-	1,970
Printing and publications	-	-	15,966	7,120	23,086
Production and design	-	-	12,137	-	12,137
Travel and meetings	-	-	1,641	15,805	17,446
Insurance	-	-	1,234	-	1,234
Other	-	-	27,129	6,627	33,756
	<u>\$ 469,000</u>	<u>\$ 475,000</u>	<u>\$ 116,555</u>	<u>\$ 200,526</u>	<u>\$1,261,081</u>

See Notes to Financial Statements

Sankara Eye Foundation, USA

STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$1,193,093
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Contribution of marketable equity securities	(10,318)
Net loss on long-term investments	28
Net loss on disposal of equipment	3,511
Changes in assets and liabilities:	
(Increase) decrease in:	
Prepaid expenses	(23,175)
Increase (decrease) in:	
Accounts payable and accrued expenses	<u>3,046</u>
Net cash provided by operating activities	<u>1,166,185</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of long-term investments	<u>10,214</u>
Net cash provided by investing activities	<u>10,214</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,176,399
CASH, beginning of year	<u>561,637</u>
CASH, end of year	<u><u>\$1,738,036</u></u>

See Notes to Financial Statements

Sankara Eye Foundation, USA

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

Note 1. NATURE OF FOUNDATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Foundation:

Sankara Eye Foundation USA is a California nonprofit corporation that is engaged in fund raising and other activities to eradicate curable blindness by supporting delivery organizations that build eye care hospitals and provide free eye surgeries to the rural poor in India.

Significant Accounting Policies:

Basis of Presentation:

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

Accrual Basis:

The financial statements have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables and payables, other liabilities and prepaid expenses.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Marketable Equity Securities:

Marketable equity securities are carried at fair value, and unrealized gain and loss are reported in the statement of activities. Fair values are based on quoted market prices for those or similar investments.

Sankara Eye Foundation, USA

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

Note 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Policies (continued):

Contributions:

Gifts of cash and other assets received with donor stipulations that limit the use of donated assets are presented as increases in unrestricted assets, if the restriction expires in the fiscal year in which they were received. The restriction expires when a stipulated time restriction has ended or a purpose restriction is accomplished. All other gifts with donor stipulations, that have not expired, are recorded as temporarily or permanently restricted support depending on the nature of the restrictions. When the donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services:

No amounts have been recognized in the financial statements for donated services since no objective basis is available to measure the value of such services.

Advertising and Promotion:

Advertising and promotion costs are expensed as incurred.

Income Taxes:

As a nonprofit corporation, the Foundation is exempt from both Federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code.

Functional Allocation of Expenses:

Expenses are allocated into functional categories depending on the ultimate purpose of the expenditure. Expenses have been summarized in the accompanying financial statements as follows:

Program services include funds transmitted to Sankara Eye Society, India for cataract surgeries and capital projects or building of eye care facilities.

Supporting services include expenses that are indirectly related to a specific program service in the accomplishment of its tax exempt purposes.

Sankara Eye Foundation, USA

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

Note 2. CONCENTRATION OF CREDIT RISK

Cash is insured to a maximum of \$100,000 by the Federal Deposit Insurance Corporation. The Foundation believes it is not exposed to significant credit risk with respect to these funds.

Note 3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2006 consist of contributions received for the purposes of building of eye care facilities.

Note 4. ADVERTISING AND PROMOTIONS

Management of the Foundation estimates that approximately a third of the advertising expenses was for program services. However, due to the lack of detailed documentation by media vendors, management has classified all advertising expenses as advertising for fund raising on the statement of functional expenses.

Note 5. LEASE EXPENSE AND LEASE COMMITMENTS

The Foundation entered into a one year lease agreement that commenced on May 1, 2007. Future minimum rental commitments under this lease is as follows:

2007	\$ 12,800
2008	<u>6,400</u>
	<u>\$ 19,200</u>

Office lease expense for the year ended December 31, 2006 was \$1,970.