

Essilor Vision Foundation

Financial Statements

December 31, 2017 and 2016



Report of Independent Auditors

To the Board of Directors of Essilor Vision Foundation

We have audited the accompanying financial statements of Essilor Vision Foundation, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets and of cash flows for the years then ended.

Management's Responsibility 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; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 our 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, we consider internal control relevant to the Foundation'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 Foundation'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 Essilor Vision Foundation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

September 21, 2018

Essilor Vision Foundation
Statements of Financial Position as of
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash and cash equivalents		
Unrestricted	141,622	305,508
Temporarily restricted	613,567	176,565
Contributions receivable	310,681	18,043
Inventory	<u>1,229,504</u>	<u>2,088,605</u>
Total current assets	2,295,374	2,588,721
Property and equipment, net	<u>108,745</u>	<u>200,509</u>
Total assets	<u>2,404,119</u>	<u>2,789,230</u>
Liabilities and net assets		
Accounts payable and accrued liabilities	47,196	32,371
Payables due to related parties	<u>74,833</u>	<u>-</u>
Total current liabilities	122,029	32,371
Net assets		
Unrestricted	1,668,523	2,580,294
Temporarily restricted	<u>613,567</u>	<u>176,565</u>
Total net assets	<u>2,282,090</u>	<u>2,756,859</u>
Total liabilities and net assets	<u>2,404,119</u>	<u>2,789,230</u>

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

Essilor Vision Foundation
Statements of Activities and Changes in Net Assets for the
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenue		
Unrestricted contributions	\$ 901,555	\$ 808,858
Temporarily restricted contributions	1,258,494	829,846
Fundraising events	595,526	185,869
In-kind contributions	3,081,776	4,890,994
Interest income	235	177
Total revenue	<u>5,837,586</u>	<u>6,715,744</u>
Operating expenses		
Management and general expenses	416,172	1,060,642
Program and other operating expenses	5,285,691	4,405,972
Direct expenses from fundraising activities	622,992	110,009
(Gain) / Loss on sale of asset	<u>(12,500)</u>	<u>21,387</u>
Total operating expenses	<u>6,312,355</u>	<u>5,768,121</u>
Increase (decrease) in net assets	<u>(474,769)</u>	<u>947,623</u>
Change in Net assets		
Beginning of year	2,756,859	1,809,236
End of year	<u>2,282,090</u>	<u>2,756,859</u>
Total change in net assets	<u>(474,769)</u>	<u>947,623</u>

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

Essilor Vision Foundation
Statements of Cash Flows for the
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (474,769)	\$ 947,623
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	93,509	119,007
Gain on sale of asset	(12,500)	21,387
Changes in assets and liabilities:		
Contributions receivable	(292,638)	3,452
Inventory	859,101	120,884
Payables and accrued liabilities	89,658	(1,002,940)
Net cash provided by operating activities	<u>262,361</u>	<u>209,413</u>
Cash Flows from investing activities		
Proceeds from sale of asset	12,500	2,800
Purchase of property and equipment	(1,745)	(30,631)
Net cash used in investing activities	<u>10,755</u>	<u>(27,831)</u>
Net increase in cash and equivalents	<u>273,116</u>	<u>181,582</u>
Cash and cash equivalents		
Beginning of year	482,073	300,491
End of year	<u>\$ 755,189</u>	<u>\$ 482,073</u>
Noncash activities		
In-kind contributions	\$ 3,081,776	\$ 4,890,994

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

Essilor Vision Foundation

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

1. Organization

Essilor Vision Foundation (the Foundation) is a Texas nonprofit corporation exempt from federal income taxation under Section 501 (c)(3) of the Internal Revenue Code. Founded by Essilor of America, Inc. (Essilor) in 2007, the Foundation was organized to provide eye examinations and prescription eyewear to children and to educate on the implications of poor vision in children.

2. Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash and cash held in money market accounts. Cash equivalents are defined as investments which have original maturities of three months or less. Cash equivalents are valued at cost, which approximates fair value. At December 31, 2017 and 2016, the Foundation maintained cash deposits in excess of federally insured limits. The Foundation has reviewed the creditworthiness of its financial institution and believes there is minimal risk of material loss.

Inventories

Inventories consist of eyeglass frames contributed by unrelated donors for use in conjunction with the Foundation's primary program activities. The Foundation values its inventory at the lower of average cost or market based on the contributed value of frames received. As all frames held in inventory are considered to be available for program activity use, the establishment of an obsolescence reserve is not considered necessary.

Unrestricted Net Assets

Unrestricted contributions are available for general use by the Foundation.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of grants received. These assets are restricted as to use and are transferred from temporarily restricted net assets to unrestricted net assets when the restrictions are satisfied. Temporarily restricted net assets consist of cash and cash equivalents and are restricted for program services and related activities.

During 2017 and 2016, temporarily restricted assets in the amounts of \$1,258,494 and \$829,846, respectively, were received by the Foundation. As of December 31, 2017, temporarily restricted contributions received in 2015 that have not been released from these restrictions for the purposes specified by the donors totaled \$5,000. As of December 31, 2017, \$613,567 in temporarily restricted funds was held by the Foundation.

Essilor Vision Foundation
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

Property and Equipment

Property and equipment are stated at cost on the date of purchase or fair value on the date of contribution less accumulated depreciation. Property and equipment, and related accumulated depreciation are summarized below:

	Estimated Useful Life	2017	2016
Equipment and other	5 Years	\$ 666,885	\$ 727,014
Accumulated depreciation		<u>(558,140)</u>	<u>(526,505)</u>
		<u>\$ 108,745</u>	<u>\$ 200,509</u>

Depreciation expense related to property and equipment for the years ended December 31, 2017 and 2016 was \$93,509 and \$119,007, respectively. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the property and equipment. Routine maintenance and repairs are expensed as incurred. Expenditures that increase capacities or extend useful lives are capitalized.

The Foundation evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. The assessment of possible impairment is based on whether the carrying amount of the asset exceeds the expected total undiscounted cash flows expected to result from the use of the asset and its eventual disposition. No impairments were recorded in 2017 or 2016.

Contributions and Gifts

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted. However, if a restriction is fulfilled in the same period in which the contribution is received, the Foundation reports the support as unrestricted. When received or pledged, unrestricted gifts are reported as unrestricted contributions.

Management believes that the contributions receivable balances are fully collectible at year-end.

In-kind Contributions

In-kind contributions for the Foundation for 2017 and 2016 were \$3,081,776 and \$4,890,994, respectively, and are reported at fair value on the statement of activities and changes in net assets. These in-kind contributions represent frames and lenses donated for use in program services and contributed services that would have resulted in expenses incurred by the Foundation if they had not been donated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Essilor Vision Foundation

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

3. Fair Value Measurements

The Foundation measures fair value based on the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Disclosure of fair value measurements in accordance with a valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying values of cash and cash equivalents, contributions receivables, accounts payable and accrued liabilities are reasonable estimates of their fair value due to the short-term nature of these financial instruments.

4. Contributions Receivable

All contributions receivable are due within one year.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the purpose of program services.

6. Transactions with Related Parties

The Foundation received \$6,370 and \$83,123 of unrestricted funds from related parties during 2017 and 2016, respectively, to be used for operational and program expenses incurred. These amounts are included in unrestricted contributions in the accompanying statements of activities and changes in net assets.

Personnel services to the Foundation which are recognized as operating expenses in the accompanying statements of activities and changes in net assets are provided by related parties. Personnel services provided by related party personnel which are donated and not reimbursed by the Foundation are recognized as in-kind contributions. For donated services, the amount of the in-kind contribution and related expense recognized is based on the cost recognized by related parties for the personnel providing the services, including applicable salaries, bonuses, and other benefit costs. During 2017, related-party personnel provided services of \$1,295,953, all of which was donated and thus recognized as an in-kind contribution. During 2016, related-party personnel provided \$2,736,210 of services, all of which was donated and thus recognized as an in-kind contribution.

Related parties also donated \$1,625,470 and \$1,300,179 of eyeglass lenses to the Foundation in 2017 and 2016, respectively. Contributions of eyeglass lenses are presented as in-kind contributions in the accompanying statement of activities and changes in net assets.

Payables due to related parties were \$74,833 and \$0 as of December 31, 2017 and 2016, respectively, and are included in payables to related parties in the accompanying statements of financial position.

Essilor Vision Foundation
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

7. Subsequent Events

The Foundation has performed an evaluation of subsequent events through September 21, 2018, which is the date the financial statements were available to be issued, and concluded that there were no subsequent events that required recognition or disclosure.