

COMBAT BLINDNESS INTERNATIONAL, INC.

FINANCIAL STATEMENTS

December 31, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Combat Blindness International, Inc.
Madison, Wisconsin

We have audited the accompanying financial statements of Combat Blindness International, Inc., which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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 Combat Blindness International, Inc. as of December 31, 2013 and 2012, 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.

Wegner CPAs, LLP
Madison, Wisconsin
February 18, 2014

COMBAT BLINDNESS INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash	\$ 171,932	\$ 118,500
Investments	275,128	243,746
Prepaid expenses	1,575	1,764
Security deposits	750	854
Equipment - net	221	2,758
Beneficial interest in assets held by MCF	11,373	10,007
Total assets	\$ 460,979	\$ 377,629
LIABILITIES		
Accounts payable	\$ 3,183	\$ 597
NET ASSETS		
Unrestricted	331,239	325,475
Temporarily restricted net assets	126,557	51,557
Total net assets	457,796	377,032
Total liabilities and net assets	\$ 460,979	\$ 377,629

See accompanying notes.

COMBAT BLINDNESS INTERNATIONAL, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2013 and 2012

	2013	2012
UNRESTRICTED NET ASSETS		
REVENUE, GAINS, AND OTHER SUPPORT		
Contributions	\$ 684,985	\$ 232,266
Special events revenue	89,827	82,323
Investment return	13,049	18,460
	<u>787,861</u>	<u>333,049</u>
Total unrestricted revenue, gains, and other support	787,861	333,049
EXPENSES		
Program services	688,529	302,230
Management and general	44,153	44,321
Fundraising	49,415	35,079
	<u>782,097</u>	<u>381,630</u>
Total expenses	782,097	381,630
Net assets released from restrictions	<u>-</u>	<u>38,125</u>
Change in unrestricted net assets	5,764	(10,456)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	75,000	20,000
Net assets released from restrictions	<u>-</u>	<u>(38,125)</u>
Change in temporarily restricted net assets	<u>75,000</u>	<u>(18,125)</u>
Change in net assets	80,764	(28,581)
Net assets - beginning of year	<u>377,032</u>	<u>405,613</u>
Net assets - end of year	<u><u>\$ 457,796</u></u>	<u><u>\$ 377,032</u></u>

See accompanying notes.

COMBAT BLINDNESS INTERNATIONAL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2013 and 2012

	Program Services	Management and General	Fundraising	2013 Total
Grants and contributions	\$ 658,741	\$ -	\$ -	\$ 658,741
Personnel	13,095	12,347	11,972	37,414
Occupancy	6,988	6,588	9,256	22,832
Bank and credit card fees	-	1,364	-	1,364
Insurance	777	733	710	2,220
Professional fees	-	9,324	7,430	16,754
Postage	1,027	969	939	2,935
Supplies	1,741	1,641	2,305	5,687
Telephone and internet	448	423	410	1,281
Memberships and affiliations	-	2,190	-	2,190
Meetings	-	99	-	99
Printing	3,601	3,395	4,058	11,054
Depreciation	888	837	812	2,537
Publicity	-	208	-	208
Computer and web	1,223	1,152	1,118	3,493
Food and beverage	-	-	7,405	7,405
Staff training	-	575	-	575
Other	-	2,308	3,000	5,308
Total expenses	\$ 688,529	\$ 44,153	\$ 49,415	\$ 782,097
	Program Services	Management and General	Fundraising	2012 Total
Grants and contributions	\$ 268,630	\$ -	\$ -	\$ 268,630
Personnel	17,730	11,048	15,414	44,192
Occupancy	6,765	4,216	5,882	16,863
Bank and credit card fees	-	1,446	-	1,446
Insurance	748	466	651	1,865
Professional fees	-	6,275	5,000	11,275
Postage	410	256	358	1,024
Supplies	2,036	1,269	1,771	5,076
Telephone and internet	457	285	396	1,138
DVD and video costs	-	2,685	-	2,685
Memberships and affiliations	-	1,640	-	1,640
Meetings	-	100	-	100
Printing	4,722	2,942	4,105	11,769
Depreciation	-	1,971	-	1,971
Publicity	-	391	-	391
Computer and web	732	456	635	1,823
Travel	-	19	-	19
Food and beverage	-	6,471	-	6,471
Other	-	2,385	867	3,252
Total expenses	\$ 302,230	\$ 44,321	\$ 35,079	\$ 381,630

See accompanying notes.

COMBAT BLINDNESS INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 80,764	\$ (28,581)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	2,537	1,971
Net Investment activity retained in agency endowment	(1,366)	(850)
Net realized and unrealized gains on investments	(6,879)	(8,913)
(Increase) decrease in prepaid expenses	189	(539)
Decrease in security deposits	104	-
Increase in accounts payable	2,586	368
Net cash flows from operating activities	77,935	(36,544)
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfers to endowment	(20,000)	-
Proceeds from sale of investments	197,094	82,764
Interest and dividends earned but reinvested	(6,195)	(9,819)
Payments for purchase of investments	(195,402)	(81,184)
Net cash flows from investing activities	(24,503)	(8,239)
Net change in cash	53,432	(44,783)
Cash - beginning of year	118,500	163,283
Cash - end of year	\$ 171,932	\$ 118,500

See accompanying notes.

COMBAT BLINDNESS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

Combat Blindness International, Inc. (CBI) is a non-profit health organization dedicated to relieving human suffering by preventing and curing blindness among the most vulnerable sectors of society, the young and the old, in the most needy parts of the world, developing countries. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

CBI is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by CBI in perpetuity.

Investments

Investments in marketable securities with readily determinable fair values are carried at their fair value in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Equipment

Purchases of equipment are recorded at cost. Equipment is depreciated using the straight-line method over the estimated useful lives of the assets. Accumulated depreciation at December 31, 2013 and 2012 was \$5,597 and \$8,718.

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donated Materials and Services

Donated materials and services are reflected as contributions in the accompanying financial statements at their fair values at the date of receipt.

COMBAT BLINDNESS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Income Tax Status

CBI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). CBI's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. CBI is no longer subject to such examinations for years before 2010.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain 2012 financial statement line items have been reclassified to conform to the current year's presentation.

Date of Management's Review

Management has evaluated subsequent events through February 18, 2014, the date which the financial statements were available to be issued.

NOTE 2 – LEASE COMMITMENT

CBI entered into an agreement to lease office space effective October 1, 2005. The lease is \$853 per month for ten years, ending October 31, 2015. The rent amount will be adjusted annually by the CPI increase, not to exceed 6%. CBI exercised a buyout provision in its lease on August 23, 2013 for \$12,300. CBI entered into an agreement to lease new office space effective from December 13, 2013 through February 29, 2016. The lease calls for monthly payments of \$705 increasing to \$749 on February 1, 2015. Lease expense was \$19,964 and \$12,179 for 2013 and 2012. Future minimum rental payments are \$7,759, \$8,949, and \$1,499 for 2014, 2015 and 2016.

NOTE 3 – AGENCY ENDOWMENT

CBI established an agency endowment fund at Madison Community Foundation (MCF). When CBI transfers the funds to MCF, it recognizes the transfer as a decrease in cash and an increase

COMBAT BLINDNESS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 3 – AGENCY ENDOWMENT (continued)

in the asset beneficial interest in assets held by MCF. CBI acknowledges that, by virtue of the governing instrument of MCF, the Board of Governors of MCF has the authority to modify any restriction or condition on the distribution of assets from the Funds if, in the reasonable judgment of the Board of Governors, such restriction or condition becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community served by MCF. MCF maintains legal ownership of the Funds. CBI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the original investment of the endowments.

Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce returns to fund the grants while assuming a moderate level of investment risk. Endowment assets also include those assets of board-designated funds that CBI intends to hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce returns to fund ongoing foundation operations while assuming a moderate level of investment risk. To satisfy its long-term rate-of-return objectives, CBI invests its assets at the Madison Community Foundation.

CBI's endowment consists of funds designated by the board of directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Since the agency endowment funds resulted from internal designations and are not donor-restricted, they are classified and reported as unrestricted net assets.

Changes in the agency endowment consisted of the following for 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Balance - beginning of year	\$ 10,007	\$ 9,157
Investment return	1,366	850
Balance - end of year	<u>\$ 11,373</u>	<u>\$ 10,007</u>

NOTE 4 – NET ASSETS

CBI's board of directors has chosen to place the following limitations on unrestricted net assets:

	<u>2013</u>	<u>2012</u>
Undesignated	\$ 319,866	\$ 315,468
Designated for endowment	20,000	-
Designated for agency endowment	11,373	10,007
Unrestricted net assets	<u>\$ 331,239</u>	<u>\$ 325,475</u>

Temporarily restricted net assets at December 31, 2013 and 2012 are available for the Lebanon project.

COMBAT BLINDNESS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 – INVESTMENTS

Investments are comprised of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Money market funds	\$ 36,021	\$ 17,656
Exchange traded funds	158,260	135,025
Mutual funds	<u>80,847</u>	<u>91,065</u>
Investments	<u>\$ 275,128</u>	<u>\$ 243,746</u>

Investment return is summarized as follows:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 6,495	\$ 10,276
Net unrealized gains (losses)	(961)	6,257
Net realized gains (losses)	7,840	2,656
Net investment activity from agency endowment	1,366	850
Investment fees	<u>(1,691)</u>	<u>(1,579)</u>
Investment return	<u>\$ 13,049</u>	<u>\$ 18,460</u>

NOTE 6 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2013 and 2012 are as follows:

<u>2013</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Observable Inputs (Level 3)</u>
Money market funds	\$ 36,021	\$ 36,021	\$ -	\$ -
Exchange traded funds	158,260	158,260	-	-
Mutual funds	80,847	80,847	-	-
Beneficial interest in assets held by MCF	<u>11,373</u>	<u>-</u>	<u>-</u>	<u>11,373</u>
Investments	<u>\$ 286,501</u>	<u>\$ 275,128</u>	<u>\$ -</u>	<u>\$ 11,373</u>

COMBAT BLINDNESS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 6 – FAIR VALUE MEASUREMENTS (continued)

<u>2012</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Observable Inputs (Level 3)</u>
Money market funds	\$ 17,656	\$ 17,656	\$ -	\$ -
Exchange traded funds	135,025	135,025	-	-
Mutual funds	91,065	91,065	-	-
Beneficial interest in assets held by MCF	<u>10,007</u>	<u>-</u>	<u>-</u>	<u>10,007</u>
Investments	<u><u>\$ 253,753</u></u>	<u><u>\$ 243,746</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,007</u></u>

Fair values for money market funds, exchange traded funds, and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

CBI's beneficial interest in assets held by the Foundation represents an agreement between CBI and the Foundation in which CBI transfers assets to the Foundation in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is measured at the proportional share of the underlying assets as reported to CBI by the Foundation. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

The following table presents additional information about assets measured at fair value on a recurring basis using significant unobservable inputs:

	<u>Beneficial Interest in Assets Held by Madison Community Foundation</u>	
	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 10,007	\$ 9,157
Change in value of beneficial interest included in change in net assets	<u>1,366</u>	<u>850</u>
Ending balance	<u><u>\$ 11,373</u></u>	<u><u>\$ 10,007</u></u>

The change in value of the beneficial interest included in the change in net assets is reported in the investment return on the statements of activities.

COMBAT BLINDNESS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 7 - ENDOWMENTS

The Board of Directors established the endowment to ensure the continued existence of CBI. Use of endowment principal requires approval by a majority of the Board.

CBI has adopted a statement of investment policy to ensure that all involved parties have a clear understanding of the investment guidelines, goals and objectives for the assets of CBI. Further, the policy establishes the investment horizon for CBI's portfolio, defines and assigns the responsibilities of all involved parties, and clearly defines the parameters and limitations regarding the investment CBI's assets.

The investment objective of CBI's portfolio is to maximize potential return consistent with minimizing overall volatility. Further, while the Board understands the inherent risk associated with an investment portfolio, unnecessary levels of risk should be avoided, and sound asset allocation policies and investment diversification are required to reduce the overall risk profile of the portfolio.

CBI's endowment consists of funds designated by the board of directors to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of net assets as of December 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated endowment funds	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>

Changes in endowment net assets for the year ended December 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets-beginning of year	\$ -	\$ -	\$ -	\$ -
Additions	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Endowment net assets-end of year	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>