

HELEN KELLER INTERNATIONAL INCORPORATED

***CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

JUNE 30, 2016

HELEN KELLER INTERNATIONAL INCORPORATED

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Helen Keller International Incorporated
New York, New York

We have audited the accompanying consolidated financial statements of Helen Keller International Incorporated (a New York not-for-profit corporation) (“HKI”) which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of HKI as of June 30, 2016, 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.

**Board of Trustees
Helen Keller International Incorporated
New York, New York**

Report on Summarized Comparative Information

We have previously audited HKI's 2015 consolidated financial statements, and our report dated December 28, 2015, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
January 4, 2017**

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2016 And 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 8,869,891	\$ 12,551,602
Cash held in international offices	3,413,854	4,833,760
Investments	2,451,556	10,331,172
Grants receivable	9,919,256	11,497,781
Contributions receivable	10,302,586	7,331,099
Beneficial interest in perpetual and restricted trusts	1,025,963	1,100,028
Fixed assets, net	1,884,092	1,531,651
Security deposits and other assets	<u>1,635,818</u>	<u>1,324,693</u>
Total assets	<u>\$ 39,503,016</u>	<u>\$ 50,501,786</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 4,109,441	\$ 3,577,053
Deferred revenue	3,944,612	15,125,480
Severance accrual – international offices	<u>1,215,504</u>	<u>1,190,558</u>
Total liabilities	<u>9,269,557</u>	<u>19,893,091</u>
NET ASSETS		
Unrestricted	7,867,648	7,864,306
Temporarily restricted	21,384,062	21,688,999
Permanently restricted	<u>981,749</u>	<u>1,055,390</u>
Total net assets	<u>30,233,459</u>	<u>30,608,695</u>
Total liabilities and net assets	<u>\$ 39,503,016</u>	<u>\$ 50,501,786</u>

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2016 With Summarized Information For 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016</u>	<u>2015</u>
Operating Support and Revenue					
Support					
Contributions – corporations, foundations, and individuals	\$ 11,540,094	\$ 9,364,949	\$ -	\$ 20,905,043	\$ 29,251,121
Contributions – medicines and other (in-kind)	160,516,250	-	-	160,516,250	162,680,592
Legacies and trusts	203,822	-	-	203,822	434,078
Grants – U.S. Government agencies	34,082,689	-	-	34,082,689	27,074,776
Grants – Non U.S. Government agencies	13,696,960	-	-	13,696,960	14,967,286
Net assets released from restrictions	9,970,649	(9,970,649)	-	-	-
Total support	<u>230,010,464</u>	<u>(605,700)</u>	<u>-</u>	<u>229,404,764</u>	<u>234,407,853</u>
Revenue					
Program and other revenue	-	273,889	-	273,889	238,490
Dividends and interest income	10,262	27,054	-	37,316	35,754
Total revenue	<u>10,262</u>	<u>300,943</u>	<u>-</u>	<u>311,205</u>	<u>274,244</u>
Total operating support and revenue	<u>230,020,726</u>	<u>(304,757)</u>	<u>-</u>	<u>229,715,969</u>	<u>234,682,097</u>
Expenses					
Program services:					
ChildSight®	1,295,755	-	-	1,295,755	1,313,637
Trachoma	1,518,687	-	-	1,518,687	1,485,820
Famine and Other Relief Services	1,665,446	-	-	1,665,446	1,602,465
Nutrition, including Vitamin A	35,507,745	-	-	35,507,745	33,744,419
Onchocerciasis	56,111	-	-	56,111	83,291
Eye Health	1,117,167	-	-	1,117,167	1,487,799
Neglected Tropical Diseases	17,752,103	-	-	17,752,103	12,654,434
Distribution of medicines and other (in-kind), primarily for blindness prevention	160,524,815	-	-	160,524,815	162,583,532
Total program services	<u>219,437,829</u>	<u>-</u>	<u>-</u>	<u>219,437,829</u>	<u>214,955,397</u>
Support services					
Management and general	9,233,102	-	-	9,233,102	8,699,278
Fundraising	1,335,657	-	-	1,335,657	1,200,360
Total support services	<u>10,568,759</u>	<u>-</u>	<u>-</u>	<u>10,568,759</u>	<u>9,899,638</u>
Total expenses	<u>230,006,588</u>	<u>-</u>	<u>-</u>	<u>230,006,588</u>	<u>224,855,035</u>
Excess (deficit) of revenue over expenses	14,138	(304,757)	-	(290,619)	9,827,062
Other Changes					
Net realized and unrealized (losses) gains on investments	(10,796)	244	-	(10,552)	15,277
Change in perpetual and restricted trusts	-	(424)	(73,641)	(74,065)	(70,574)
Change in net assets	3,342	(304,937)	(73,641)	(375,236)	9,771,765
Net Assets					
Beginning of year	7,864,306	21,688,999	1,055,390	30,608,695	20,836,930
End of year	<u>\$ 7,867,648</u>	<u>\$ 21,384,062</u>	<u>\$ 981,749</u>	<u>\$ 30,233,459</u>	<u>\$ 30,608,695</u>

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2016 And 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (375,236)	\$ 9,771,765
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Depreciation and amortization	651,162	534,562
Net realized/unrealized (gain) loss on investments	10,552	(15,277)
Loss on disposal of fixed assets	2,623	6,250
Change in perpetual and restricted trusts	74,065	70,574
Changes in operating assets and liabilities		
Cash held in international offices	1,419,906	(880,844)
Grants receivable	1,578,525	(1,725,204)
Contributions receivable	(2,971,487)	(685,624)
Security deposits and other assets	(311,125)	103,190
Accounts payable and accrued expenses	532,388	583,832
Deferred revenue	(11,180,868)	(801,284)
Severance accrual – international offices	<u>24,946</u>	<u>(86,862)</u>
Net cash (used in) provided by operating activities	<u>(10,544,549)</u>	<u>6,875,078</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in invested cash and cash equivalents	7,872,823	(2,027,250)
Purchases of investments	(3,759)	(1,764)
Purchases of fixed assets	<u>(1,006,226)</u>	<u>(1,303,845)</u>
Net cash provided by (used in) investing activities	<u>6,862,838</u>	<u>(3,332,859)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,681,711)	3,542,219
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>12,551,602</u>	<u>9,009,383</u>
End of year	<u>\$ 8,869,891</u>	<u>\$12,551,602</u>

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016 With Summarized Information For 2015

Expenses	Program Services	Supporting Services			Totals	
		Management And General	Fundraising	Total	2016	2015
Personnel	\$ 22,997,531	\$ 6,136,560	\$ 723,536	\$ 6,860,096	\$ 29,857,627	\$ 25,582,138
Travel (staff and trainees)	5,455,036	588,681	3,006	591,687	6,046,723	5,818,450
Subgrants	15,651,215	-	-	-	15,651,215	14,210,171
Meetings, conferences and training workshops	778,315	52,018	10,834	62,852	841,167	834,189
Equipment, supplies and maintenance	1,280,639	412,969	10,805	423,774	1,704,413	1,868,980
Program supplies	2,318,907	-	-	-	2,318,907	2,341,432
Vehicles and vehicle maintenance	2,553,190	6,550	-	6,550	2,559,740	2,371,225
Professional fees and services	2,771,094	602,424	1,936	604,360	3,375,454	2,918,524
Advertising and broadcasting	373,444	-	22,762	22,762	396,206	330,823
Postage	62,043	12,856	10,679	23,535	85,578	79,191
Direct mail	-	-	457,770	457,770	457,770	480,328
Telephone and communication	898,579	209,016	52,168	261,184	1,159,763	879,346
Depreciation	559,100	67,997	-	67,997	627,097	522,529
Occupancy	1,685,961	869,536	-	869,536	2,555,497	2,484,846
Printing	1,154,610	13,820	10,875	24,695	1,179,305	754,048
Other expense	<u>373,350</u>	<u>245,175</u>	<u>31,286</u>	<u>276,461</u>	<u>649,811</u>	<u>792,783</u>
Total expenses before in-kind	58,913,014	9,217,602	1,335,657	10,553,259	69,466,273	62,269,003
Medicines and other (in-kind)	<u>160,524,815</u>	<u>15,500</u>	<u>-</u>	<u>15,500</u>	<u>160,540,315</u>	<u>162,586,032</u>
Total expenses	<u>\$ 219,437,829</u>	<u>\$ 9,233,102</u>	<u>\$ 1,335,657</u>	<u>\$ 10,568,759</u>	<u>\$ 230,006,588</u>	<u>\$ 224,855,035</u>

See notes to financial statements.

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

June 30, 2016 And 2015

(1) NATURE OF ORGANIZATION AND TAX-EXEMPT STATUS

Helen Keller International Incorporated (“*HKI*”) is the oldest U.S. not-for-profit organization devoted to fighting and treating preventable blindness throughout the world. HKI has expanded to include a range of program interventions to prevent malnutrition and improve health outcomes.

The mission of HKI is to save and improve the sight and lives of the world’s vulnerable by combatting the causes and consequences of blindness, poor health and malnutrition through programs based on evidence and research. HKI actively combats the following conditions linked to blindness, disease and death: malnutrition (including micronutrient malnutrition), cataract, diabetic retinopathy, refractive error and neglected tropical diseases including onchocerciasis (river blindness), trachoma, intestinal worms and lymphatic filariasis. HKI operates in three regions (Africa, Asia and the Americas), encompassing approximately twenty-two countries.

Working with ministries of health, nongovernmental agencies, and local health workers, HKI provides the expertise, training, technical assistance, and other resources to establish evidence based programs in health and eye care within the existing health care systems of host countries.

HKI Support, Inc. (“*HKI Support*”) was formed as a tax-exempt organization, in which HKI is its sole member. HKI Support’s mission is to support the exempt purpose of HKI.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by HKI are described below:

BASIS OF PRESENTATION

The financial statements include the accounts of HKI and HKI Support. Significant intercompany transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS

Cash consists of cash on deposit in interest-bearing accounts, certificates of deposit and demand deposits. Cash equivalents consist of highly liquid investments, with original maturities of 91 days or less.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS

For the years ended June 30, 2016 and 2015, the fair value of HKI’s marketable securities is based on quoted market prices. Similarly, the carrying value of all other financial instruments potentially subject to value risk (principally consisting of cash, accounts receivable, and accounts payable) approximates fair value.

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2016 And 2015

CONCENTRATION OF MARKET AND CREDIT RISK

HKI periodically, maintains cash balances in excess of insured limits. Accounting Standards Codification (“ASC”) 825 “*Financial Instruments*” identifies these items as a concentration of credit risk requiring disclosure, regardless of degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

Market risk represents the potential loss HKI faces due to the decrease in the value of marketable securities. Credit risk represents the potential loss HKI faces due to the possible nonperformance by obligors and counterparts of the terms of their contracts. Market risk is contained by limiting investments in marketable securities to certificates of deposit, U.S. Government securities, and balanced mutual funds and limiting the holdings in any one security.

MARKETABLE SECURITIES

Marketable securities are carried at fair value with unrealized gains and losses included in the statement of activity and changes in net assets. Donated securities are recorded at their fair value at the date of donation. Dividend and interest income is recorded as earned.

CASH HELD IN INTERNATIONAL OFFICES

Cash held in international offices primarily represents cash in foreign bank accounts that will be used for program activities and is principally located in Asia and Africa. Cash held in international offices includes both cash advanced to field offices by headquarters and cash disbursed directly to field offices by donors.

CONTRIBUTIONS OF MEDICAL SUPPLIES, MEDICINES AND OTHER (IN-KIND)

Contributions of medical supplies consist of supplies received from major pharmaceutical companies and are used to fight and prevent blindness. Donated supplies are recorded at estimated fair value based upon the pricing source inputs which considers wholesale prices and donor values on date of receipt. During the years ended June 30, 2016 and 2015, HKI received and distributed \$160,500,750 and \$162,571,500, respectively, of the product Mectizan from a donor for the treatment of onchocerciasis. As a result, contributions – medicines and other (in-kind) and expenses consists primarily of the value of the product Mectizan.

BENEFICIAL INTERESTS IN PERPETUAL AND RESTRICTED TRUSTS

Beneficial interests in perpetual trusts include HKI’s respective share of the fair value of the total funds held in trust by others for which HKI is the recipient of all or a percentage of the income. HKI has an irrevocable right to receive the income earned on the trust assets, but the trust assets must be held in perpetuity. HKI is also the recipient under a restricted trust whereby HKI receives 10% of the annual income of the trust. The trust terminates in 2041, at which time 10% of the corpus and any accumulated income of the trust will be distributed to HKI.

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2016 And 2015

FIXED ASSETS

Purchased fixed assets are recorded at cost. Contributed fixed assets are recorded at their estimated fair value. Depreciation is provided based upon the estimated useful lives of the assets (3 to 7 years) using the straight-line method. Leasehold improvements are amortized over the life of the lease, using the straight-line method. Amounts not deemed significant are expensed in the year of purchase and allocated to functional areas based upon actual usage.

DEFERRED REVENUE

HKI records revenue when expenditures are incurred under U.S. and certain foreign government contracts or other exchange transactions. Deferred revenue represents funds received in excess of expenses incurred under these exchange transactions. This deferred revenue will be recognized and expended in future periods.

CONTRIBUTIONS

HKI records unconditional promises to give (pledges) as a receivable and revenue in the year pledged, net of the discount to present value of the future cash flows. Gifts of cash and other assets are recorded as contributions when received and are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are then classified to unrestricted net assets and reported in the statement of activities as ***“net assets released from restrictions.”***

NET ASSETS

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of HKI and changes therein are classified and reported as follows:

Unrestricted net assets include the revenues and expenses associated with the principal mission of HKI.

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met.

Permanently restricted net assets include the following:

- ◆ Endowment Fund – Endowment funds include gifts and contributions on which the donor has imposed a restriction requiring that the original corpus must be invested in perpetuity, with only the related income to be made available for use in accordance with the restrictions of the donor.
- ◆ Beneficial Interest in Perpetual Trusts – Beneficial interest in perpetual trusts represents a contribution which the donor has placed with a third party. HKI has the irrevocable right to receive the income earned on the trust assets in perpetuity, but cannot receive the assets held in trust.

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2016 And 2015

FOREIGN CURRENCY TRANSACTIONS

Transactions gains and losses that arise from exchange rate fluctuations denominated in foreign currency are included in program services in the statement of activity and changes in net assets, as incurred. Translation losses amounted to approximately \$108,000 and \$282,000 in 2016 and 2015, respectively.

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 changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services.

INCOME TAXES

Under provisions of the Internal Revenue Code Section 501(c)(3) and the applicable income tax regulations, HKI is exempt from taxes on income. Therefore, no provision for income taxes has been made. HKI has not been classified as a private foundation.

Management has reviewed the tax positions for each of the open fiscal tax years (2013 - 2015) or expected to be taken in HKI's fiscal 2016 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

PRIOR YEAR 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 financial statements of HKI, as of, and for the year ended, June 30, 2015, from which the summarized information was derived.

(3) MARKETABLE SECURITIES

As of June 30, 2016 and 2015, the cost and the fair value of marketable securities were as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and Money Market Funds	\$ 695,715	\$ 695,715	\$ 1,219,207	\$ 1,219,207
Certificates of Deposit	1,286,469	1,286,472	8,634,097	8,635,803
U.S. Government Agency – FNMA	49,599	56,220	49,599	53,508
Mutual Funds	<u>374,940</u>	<u>413,149</u>	<u>363,139</u>	<u>422,654</u>
	<u>\$2,406,723</u>	<u>\$2,451,556</u>	<u>\$10,266,042</u>	<u>\$10,331,172</u>

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2016 And 2015

HKI utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles established a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Organization’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value the HKI’s investments as of June 30, 2016 and 2015 are as follows:

	2016			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Cash and Money Market Funds	\$ 695,715	\$ 695,715	\$ -	\$ -
Certificates of Deposit	1,286,472	1,286,472	-	-
U.S. Government Agency - FNMA	56,220	-	56,220	-
Mutual Funds	<u>413,149</u>	<u>413,149</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,451,556</u>	<u>\$ 2,395,336</u>	<u>\$ 56,220</u>	<u>\$ -</u>
Beneficial Interest in perpetual and restricted trusts	<u>\$ 1,025,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,025,963</u>
	2015			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Cash and Money Market Funds	\$ 1,219,207	\$ 1,219,207	\$ -	\$ -
Certificates of Deposit	8,635,803	8,635,803	-	-
U.S. Government Agency - FNMA	53,508	-	53,508	-
Mutual Funds	<u>422,654</u>	<u>422,654</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,331,172</u>	<u>\$ 10,277,664</u>	<u>\$ 53,508</u>	<u>\$ -</u>
Beneficial Interest in perpetual and restricted trusts	<u>\$ 1,100,028</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,100,028</u>

There were no transfers between Level 1 and 2 for the years ended June 30, 2016 and 2015.

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2016 And 2015

The changes in the Beneficial Interest in perpetual and restricted trusts measured at fair value for which HKI used Level 3 inputs to determine fair value are as follows:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 1,100,028	\$ 1,170,602
Realized/unrealized (loss) gains – net/change in valuation	<u>(74,065)</u>	<u>(70,574)</u>
Ending balance	<u>\$ 1,025,963</u>	<u>\$ 1,100,028</u>

The beneficial interest in perpetual and restricted trusts is measured at the fair value of the underlying investments. Since HKI does not have access to the underlying investments, fair value measurement is Level 3.

(4) CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows:

	<u>2016</u>	<u>2015</u>
Due in less than one year	\$ 7,236,831	\$ 4,774,414
Due in one to five years	<u>3,077,041</u>	<u>2,574,642</u>
Total contributions receivable	10,313,872	7,349,056
Less: Discount at 0.45% and 0.35% at June 30, 2016 and 2015, respectively	<u>(11,286)</u>	<u>(17,957)</u>
Net present value of contributions receivable	<u>\$ 10,302,586</u>	<u>\$ 7,331,099</u>

No allowance for uncollectible contributions receivable has been recorded at June 30, 2016 and 2015 based on management's estimate of collectability.

(5) FIXED ASSETS

Fixed assets, as of June 30, 2016 and 2015, were comprised of the following:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 1,255,760	\$ 714,272
Leasehold improvements	43,099	43,099
Field office furniture, vehicles and equipment	<u>4,399,645</u>	<u>4,204,967</u>
	5,698,504	4,962,338
Less: accumulated depreciation and amortization	<u>(3,814,412)</u>	<u>(3,430,687)</u>
	<u>\$ 1,884,092</u>	<u>\$ 1,531,651</u>

Field office furniture and equipment are located primarily in Asia and Africa.

HELEN KELLER INTERNATIONAL INCORPORATED

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2016 And 2015

(6) NET ASSETS

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 and 2015, respectively, are available for the following purposes:

	<u>2016</u>	<u>2015</u>
ChildSight®	\$ 1,740,322	\$ 601,202
Trachoma	1,269,897	2,186,639
Nutrition	17,549,938	17,639,055
Eye Health	570,699	657,883
Other	<u>253,206</u>	<u>604,220</u>
	<u>\$21,384,062</u>	<u>\$21,688,999</u>

During the year ended June 30, 2016, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

Temporarily restricted net assets:

ChildSight®	\$ 1,386,187
Trachoma	916,942
Nutrition	6,868,413
Eye Health	481,142
Other	<u>317,965</u>
	<u>\$ 9,970,649</u>

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2016 and 2015, respectively, are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Beneficial interest in perpetual trusts	\$ 959,655	\$ 1,033,296
Endowment funds	<u>22,094</u>	<u>22,094</u>
	<u>\$ 981,749</u>	<u>\$ 1,055,390</u>

(7) EMPLOYEE RETIREMENT PLAN

HKI has a defined contribution (money purchase) plan, which qualifies under section 403(b) of the Internal Revenue Code. An employee becomes eligible for participation upon reaching twenty-one years of age. HKI matches up to 5% of gross salary for qualified employees of the plan. Plan contributions by HKI were approximately \$402,800 and \$321,300 for the years ended June 30, 2016 and 2015, respectively.

HKI has also established a non-qualified retirement plan for eligible employees working overseas who are not United States citizens or resident aliens. HKI contributes 5% of gross salary to the plan for eligible employees. Employer contributions under the plan were approximately \$113,400 and \$92,500 for the years ended June 30, 2016 and 2015, respectively.

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CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2016 And 2015

(8) COMMITMENTS AND CONTINGENCIES

LEASE

HKI leases facilities in New York City, under a lease which expires August 2018. In addition, HKI leases certain office equipment under operating leases expiring through July 2019. Most international office leases are paid in advance or are month-to-month basis.

The minimum annual rentals payable under the leases are as follows:

<u>Year Ending June 30,</u>	<u>Amounts Per Lease Agreements</u>
2017	\$ 980,400
2018	660,300
2019	<u>122,800</u>
Future minimum lease payments	<u>\$ 1,763,500</u>

Rent expense for the years ended June 30, 2016 and 2015 was approximately \$1,565,500 and \$1,531,600, respectively.

As of June 30, 2016, there was an outstanding letter of credit in the amount of \$475,800 from a financial institution to the landlord in lieu of a security deposit. The letter of credit is renewable annually through November 1, 2018. The letter of credit is secured by a certificate of deposit that exceeds the total amount available under the letter of credit.

LOAN FACILITY

Effective August 5, 2015, HKI has a loan facility from a foundation with an available balance of 1,500,000 Australian dollars (approximately \$1,131,000). HKI can draw on the facility through July 1, 2017 to assist with the implementation of the new enterprise resource planning system. Advances on the loan will accrue interest at a rate of 1.53%. The accrued interest is payable at the end of each calendar year, however, the foundation agrees to donate the interest paid back to HKI. Quarterly payments of principal begin on July 1, 2018 with the final payment due July 1, 2020. Any outstanding loan balance would be collateralized by grants receivable (excluding U.S. and foreign governments) and unrestricted contributions receivable. There was no balance outstanding on the facility as of June 30, 2016.

GRANTS

Grant awards received from the U.S. Government and certain other grantors are subject to audit by those grantors. In the opinion of management, no material liability exists, if any, in connection therewith which would materially affect the financial position of HKI.

Additionally, under the terms of the U.S. Government grants, which are made based upon the acceptance by the U.S. Government of the program proposals submitted by HKI, amounts are stipulated for both direct program costs and HKI administrative overhead costs. The administrative overhead rate used by HKI, while provisionally approved, is subject to review and final approval by the U.S. Government. The HKI administrative overhead rate has been approved through June 30, 2015. Management believes that any adjustment to the 2016 administrative overhead rate, if any, will not have a material effect on the financial position or operating results of HKI.

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CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2016 And 2015

(9) SUBSEQUENT EVENTS

Subsequent events after the balance sheet through the date that the financial statements were available for issuance, January 4, 2017 have been evaluated in the preparation of the financial statements and management has determined that there are no subsequent events that would require disclosure or adjustment in the financial statements.