

HelpMeSee, Inc.

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

DECEMBER 31, 2018

HelpMeSee, Inc.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
HelpMeSee, Inc.
New York, New York

We have audited the accompanying consolidated financial statements of HelpMeSee, Inc. (the “*Organization*”), which comprise the consolidated statements of financial position as of December 31, 2018 and the related consolidated statement 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 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 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 organization'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 organization'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 HelpMeSee, Inc. as of December 31, 2018, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 consolidated financial statements, and our report dated July 31, 2018, 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 December 31, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
May 9, 2019

HelpMeSee, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2018 And 2017

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|--------------------|
| ASSETS | | |
| ASSETS | | |
| Cash and cash equivalents | \$12,847,846 | \$1,275,228 |
| Accounts receivable | 10,460 | 30,499 |
| Pledges receivable (<i>Note 2</i>) | 38,000 | 59,000 |
| Prepaid expenses and other assets | 310,566 | 321,849 |
| Inventory | 301,189 | 477,264 |
| Furniture, equipment and capital expenses, net (<i>Note 3</i>) | <u>3,958,663</u> | <u>3,557,763</u> |
| Total assets | <u>\$17,466,724</u> | <u>\$5,721,603</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts and accrued expenses payable | <u>\$ 3,093,631</u> | <u>\$4,194,061</u> |
| Total liabilities | <u>3,093,631</u> | <u>4,194,061</u> |
| NET ASSETS | | |
| Without donor restrictions | 2,384,579 | (157,819) |
| With donor restrictions (<i>Note 5</i>) | <u>11,988,514</u> | <u>1,685,361</u> |
| Total net assets | <u>14,373,093</u> | <u>1,527,542</u> |
| Total liabilities and net assets | <u>\$17,466,724</u> | <u>\$5,721,603</u> |

HelpMeSee, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31, 2018 And 2017

| | Without Donor | With Donor | TOTALS | |
|---|---------------------|----------------------|----------------------|---------------------|
| | Restrictions | Restrictions | 2018 | 2017 |
| PUBLIC SUPPORT | | | | |
| Individuals | \$ 507,593 | \$ 304,975 | \$ 812,568 | \$ 1,054,196 |
| Corporations | 22,963 | 7,506 | 30,469 | 92,447 |
| Foundations (<i>Note 6</i>) | 15,182,301 | 258,621 | 15,440,922 | 14,253,009 |
| Government | - | - | - | 54,249 |
| Bequests | 360,000 | - | 360,000 | - |
| In-Kind contributions | 62,108 | - | 62,108 | 298,928 |
| Investment income (loss) | 2,657 | 37,629 | 40,286 | 816 |
| Other income | 741 | - | 741 | 14,901 |
| Net assets released from restriction (<i>Note 5</i>) | <u>378,771</u> | <u>(378,771)</u> | <u>-</u> | <u>-</u> |
| Total revenue and other support | <u>16,517,134</u> | <u>229,960</u> | <u>16,747,094</u> | <u>15,768,546</u> |
| EXPENSES | | | | |
| Program services | | | | |
| Training Cataract specialists and supporting practice readiness | 8,773,395 | - | 8,773,395 | 9,081,706 |
| Public awareness | <u>630,037</u> | <u>-</u> | <u>630,037</u> | <u>1,153,915</u> |
| Total program services | <u>9,403,432</u> | <u>-</u> | <u>9,403,432</u> | <u>10,235,621</u> |
| Supporting services | | | | |
| Management and general | 3,286,599 | - | 3,286,599 | 4,203,728 |
| Fundraising | <u>1,166,761</u> | <u>-</u> | <u>1,166,761</u> | <u>1,276,424</u> |
| Total supporting services | <u>4,453,360</u> | <u>-</u> | <u>4,453,360</u> | <u>5,480,152</u> |
| Total expenses | <u>13,856,792</u> | <u>-</u> | <u>13,856,792</u> | <u>15,715,773</u> |
| Surplus/(deficit) of revenue over expenses | 2,660,342 | 229,960 | 2,890,302 | 52,773 |
| OTHER CHANGES | | | | |
| Litigation settlement (<i>Note 8</i>) | - | 10,073,193 | 10,073,193 | - |
| Foreign currency loss | <u>(117,944)</u> | <u>-</u> | <u>(117,944)</u> | <u>32,659</u> |
| Change in net assets | 2,542,398 | 10,303,153 | 12,845,551 | 85,432 |
| NET ASSETS | | | | |
| Beginning of year | <u>(157,819)</u> | <u>1,685,361</u> | <u>1,527,542</u> | <u>1,442,110</u> |
| End of year | <u>\$ 2,384,579</u> | <u>\$ 11,988,514</u> | <u>\$ 14,373,093</u> | <u>\$ 1,527,542</u> |

HelpMeSee, Inc.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

| | <u>Training Cataract Specialists And Supporting Practice Readiness</u> | <u>Public Awareness</u> | <u>Total Program Services</u> | <u>Management And General</u> | <u>Fundraising</u> | <u>2018 Total Expense</u> |
|---|--|-----------------------------|---------------------------------------|---------------------------------------|--------------------|-----------------------------------|
| Salaries | \$ 2,497,484 | \$ 356,138 | \$2,853,622 | \$ 381,330 | \$ 499,293 | \$ 3,734,245 |
| Benefits and related payroll expenses | <u>447,528</u> | <u>63,817</u> | <u>511,345</u> | <u>68,331</u> | <u>89,469</u> | <u>669,145</u> |
| Total salaries and related costs | 2,945,012 | 419,955 | 3,364,967 | 449,661 | 588,762 | 4,403,390 |
| Program grants/costs | | | | | | |
| Surgeries and surgical kits | 368,771 | - | 368,771 | - | - | 368,771 |
| Simulator Development | 2,746,951 | - | 2,746,951 | - | - | 2,746,951 |
| Donated professional services and office expenses | 57,660 | 4,448 | 62,108 | - | - | 62,108 |
| Professional services | 1,356,357 | 47,186 | 1,403,543 | 2,642,598 | 237,184 | 4,283,325 |
| Printing and postage | 10,987 | 1,824 | 12,811 | 116 | 83,725 | 96,652 |
| Travel and meetings | 276,982 | 22,600 | 299,582 | 8,232 | 41,002 | 348,816 |
| Office expenses | 590,135 | 39,343 | 629,478 | 40,394 | 68,515 | 738,387 |
| Advertising and promotion | 8,028 | 24,890 | 32,918 | 30 | 8,836 | 41,784 |
| IT and Web | 292,780 | 57,705 | 350,485 | 131,757 | 92,815 | 575,057 |
| Miscellaneous expense | 81,180 | 5,687 | 86,867 | 9,084 | 36,783 | 132,734 |
| Depreciation expense | <u>38,552</u> | <u>6,399</u> | <u>44,951</u> | <u>4,727</u> | <u>9,139</u> | <u>58,817</u> |
| Total expenses | <u>\$ 8,773,395</u> | <u>\$ 630,037</u> | <u>\$9,403,432</u> | <u>\$3,286,599</u> | <u>\$1,166,761</u> | <u>\$13,856,792</u> |

HelpMeSee, Inc.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017

| | <u>Training Cataract Specialists And Supporting Practice Readiness</u> | <u>Public Awareness</u> | <u>Total Program Services</u> | <u>Management And General</u> | <u>Fundraising</u> | <u>2017 Total Expense</u> |
|---|--|-----------------------------|---------------------------------------|---------------------------------------|---------------------|-----------------------------------|
| Salaries | \$ 2,579,988 | \$ 442,334 | \$ 3,022,322 | \$ 356,803 | \$ 558,545 | \$ 3,937,670 |
| Benefits and related payroll expenses | <u>416,007</u> | <u>64,733</u> | <u>480,740</u> | <u>57,532</u> | <u>96,653</u> | <u>634,925</u> |
| Total salaries and related costs | 2,995,995 | 507,067 | 3,503,062 | 414,335 | 655,198 | 4,572,595 |
| Program grants/costs | | | | | | |
| Surgeries and surgical kits | 359,115 | - | 359,115 | - | - | 359,115 |
| Simulator Development | 3,215,339 | - | 3,215,339 | - | - | 3,215,339 |
| Donated professional services and office expenses | 1,078 | - | 1,078 | - | - | 1,078 |
| Professional services | 861,094 | 317,318 | 1,178,412 | 3,690,741 | 230,881 | 5,100,034 |
| Printing and postage | 135,128 | 79,285 | 214,413 | 476 | 126,884 | 341,773 |
| Travel and meetings | 329,075 | 73,469 | 402,544 | 10,703 | 32,621 | 445,868 |
| Office expenses | 663,817 | 44,015 | 707,832 | 50,502 | 94,982 | 853,316 |
| Advertising and promotion | 3,855 | 57,625 | 61,480 | 95 | 14,196 | 75,771 |
| IT and Web | 300,545 | 43,066 | 343,611 | 21,646 | 63,421 | 428,678 |
| Interest expense | 43,356 | - | 43,356 | 5,419 | 5,419 | 54,194 |
| Miscellaneous expense | 109,371 | 28,717 | 138,088 | 7,261 | 45,486 | 190,835 |
| Depreciation expense | <u>63,938</u> | <u>3,353</u> | <u>67,291</u> | <u>2,550</u> | <u>7,336</u> | <u>77,177</u> |
| Total expenses | <u>\$ 9,081,706</u> | <u>\$ 1,153,915</u> | <u>\$ 10,235,621</u> | <u>\$ 4,203,728</u> | <u>\$ 1,276,424</u> | <u>\$ 15,715,773</u> |

HelpMeSee, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 And 2017

| | <u>2018</u> | <u>2017</u> |
|--|----------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| <i>Change in net assets</i> | \$ 12,845,551 | \$ 85,432 |
| <i>Adjustments to reconcile change in net assets to Net cash provided by operating activities:</i> | | |
| Depreciation | 58,817 | 77,177 |
| Contributed fixed assets | - | (297,850) |
| Forgiveness of debt | - | (3,929,092) |
| (Increase)/decrease in assets: | | |
| Accounts receivable | 20,039 | 619,280 |
| Pledges receivable | 21,000 | 131,349 |
| Prepaid expenses and other assets | 11,283 | 23,386 |
| Inventory | 176,075 | (477,264) |
| Increase/(decrease) in liabilities: | | |
| Accounts payable and accrued expenses | <u>(1,100,430)</u> | <u>2,622,563</u> |
| Net cash provided by (used for) operating activities | <u>12,032,335</u> | <u>(1,145,019)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of furniture, equipment and capital expenses | <u>(459,717)</u> | <u>(1,253,532)</u> |
| Net cash used for investment activities | <u>(459,717)</u> | <u>(1,253,532)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Borrowing on line of credit | <u>-</u> | <u>2,000,000</u> |
| Net cash provided by financing activities | <u>-</u> | <u>2,000,000</u> |
| Net increase (decrease) in cash and cash equivalents | 11,572,618 | (398,551) |
| CASH | | |
| Beginning of year | <u>1,275,228</u> | <u>1,673,779</u> |
| End of year | <u>\$ 12,847,846</u> | <u>\$ 1,275,228</u> |

HelpMeSee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE

HelpMeSee, Inc., (the “Organization”) is a global campaign to eliminate blindness caused by untreated cataracts. Twenty million people living in the developing world are blind for two basic reasons:

1. They have no access to highly trained cataract specialists where they live. In many countries, there is as few as one ophthalmologist per one million people.
2. They are extremely poor, earning just \$1 or \$2 per day when they are employed, so they cannot afford treatment even if it were available.

The centerpiece of the HelpMeSee strategy is to increase surgical access by training thousands of highly skilled cataract specialists to perform Manual Small Incision Cataract Surgery (MSICS). This operation is a quick (as little as 5 minutes for adults and 15 minutes for children), highly effective, and very low cost lens replacement procedure with results comparable to more expensive procedures practiced in the developed world.

It is HelpMeSee’s intention to train approximately 30,000 MSICS specialists to perform 60 million surgeries in 20 years. HelpMeSee’s specific goals are:

- Train cataract specialists (the majority of whom will be women) to perform a single standardized surgical procedure (MSICS) with high skill and at the lowest possible cost.
- Achieve the largest possible scale by utilizing highly standardized training methods and equipment, including very high fidelity virtual reality simulators, courseware, and methods adapted from commercial aviation pilot training.
- Conduct the training in the developing countries to those individuals who are willing and eager to serve the poor living in remote communities.
- Select and train applicants capable of successfully completing the instructional training to a high standard, which is objectively measured.
- Continuously improve quality of MSICS care, through applied research, refinement of surgical steps, and pre-sterilized single use surgical kits.
- Achieve the best standards of quality of surgical care, infection control and patient safety.
- Mobilize financial, material and volunteer resources to achieve sustainable funding solutions for the elimination of blindness caused by cataracts worldwide through private and public partnerships on behalf of the poor at the lowest possible cost.
- Pay surgical partners promptly for high quality cataract surgeries provided to the poor upon submission of specific, detailed and verifiable documentation for each completed procedure. Maintain transparent accounting of funds used and results achieved.
- Provide educational, technical, and financial support when necessary including loans to graduates so they may establish “best practice” business and surgical management systems specific to their practice locale in order to deliver high volume and high quality cataract surgeries, which are patient-centered.
- Establish a web and cloud based electronic surgical report system for surgical quality assurance, and monitoring and evaluation of outcomes for every graduate, surgical partner and patient.
- Develop proactive surgical eye-care policies with country governments and local insurance providers to include MSICS as essential surgery within the primary healthcare delivery.

HelpMeSee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2018

HelpMeSee, based out of New York, currently has three international offices; Hong Kong, China and India. The operations of these offices are included in the financial statements. HelpMeSee also is registered in the Netherlands, Singapore and Brazil.

BASIS OF PRESENTATION

The financial statements include the accounts of the Organization; its branch offices in China and India, and its controlled organizations (through the Board of Directors and economic interest) in Hong Kong, India and the Netherlands.

The financial statements are presented in U.S. dollars. The financial records of these branch offices and controlled organizations are kept in local currencies. Assets, liabilities and net assets are translated at year-end rates of exchange and revenue and expenses are translated using the month end exchange rates supplied by an independent source. Significant intercompany transactions have been eliminated in the consolidation.

ACCOUNTING ESTIMATES

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

CONCENTRATION OF CREDIT RISK

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

CASH AND CASH EQUIVALENTS

The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash and cash equivalents.

INVENTORY

Inventory, which consists of MSICS surgical kits, is carried at the lower of cost or market, using the first-in, first-out valuation method.

FIXED ASSETS AND CAPITAL EXPENSES

Fixed assets are recorded at cost. Equipment is capitalized, while maintenance and repairs are expensed when incurred. The Organization provides depreciation on furniture, fixtures and equipment by the straight-line method at rates calculated using the estimated useful lives of the respective depreciable assets, generally three to seven years. Capital expenses represent the research and development costs of a prototype virtual reality simulator and are expensed as incurred. Development of coursework, Manual Small Incision Cataract Surgery, is capitalized at cost.

HelpMeSee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2018

CONTRIBUTIONS

Unrestricted contributions receivable is recognized as contributions revenue and contributions receivable during the period in which they are promised. Conditional contributions are recognized only when the conditions on which they depend are substantially met and the contributions become unconditional. Contributions receivable (unconditional promises to give) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

The Organization received donated legal, consulting and other services with an estimated fair value of \$62,108 and \$1,078 for the years ended December 31, 2018 and 2017, respectively. In 2017, the Organization also took possession of two donated simulators with a value of \$297,850. These items are reflected as Contributions In-Kind in the accompanying statement of activities and changes in net assets.

NET ASSETS

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

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary mission of the Organization. Net assets without donor restrictions consist of assets for general operations.

With donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts and pledges. Expirations of restrictions of net assets with donor restrictions are reported as net assets released from restriction.

FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated included depreciation and utilities, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

INCOME TAXES

The Organization is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3) of the Internal Revenue Code and recognized as a public charity under Section 509(a)(1) of the Internal Revenue Code.

Management has reviewed the tax positions for the open tax years 2015 - 2017 or expected to be taken on the Organization's 2018 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 Organization's audited financial statements for the year ended December 31, 2017, from which the summarized information was derived.

HelpMeSee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2018

RECENT ACCOUNTING PRONOUNCEMENTS

In 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, Presentation of the Financial Statements of Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The main provisions of this guidance include the presentation of two classes of net assets versus the previously required three. This guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. This ASU did not have a material effect on the statement financial position or results of operations.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 is as follows:

| <u>Net Asset Classifications</u> | <u>ASU 2016-14 Classification</u> | | <u>Total Net Assets</u> |
|----------------------------------|-----------------------------------|--------------------------------|-------------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | |
| As previously presented: | | | |
| Unrestricted | \$(157,819) | \$ - | \$(157,819) |
| Temporarily Restricted | <u>-</u> | <u>1,685,361</u> | <u>1,685,361</u> |
| Net assets previously presented | <u>\$(157,819)</u> | <u>\$1,685,361</u> | <u>\$1,527,542</u> |

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied retrospectively in the year the ASU is first applied. The Organization plans to adopt the new ASU at the required implementation date.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. The Organization plans to adopt the new ASU at the required implementation date.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a transaction is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. The ASU should be applied using a modified prospective basis. The Organization plans to adopt the new ASU at the required implementation date.

HelpMeSee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2018

(2) PLEDGES RECEIVABLE

Pledges receivable are due as follows at December 31, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------|------------------|------------------|
| Receivable in one year | \$ 16,000 | \$ 23,500 |
| Receivable in one to five years | 19,000 | 31,500 |
| Receivable in five to ten years | <u>3,000</u> | <u>4,000</u> |
| Total pledges receivable | <u>\$ 38,000</u> | <u>\$ 59,000</u> |

(3) FURNITURE, EQUIPMENT AND CAPITAL EXPENSES

At December 31, 2018 and 2017, furniture and equipment consists of the following:

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Office furniture | \$ 32,652 | \$ 32,670 |
| Office equipment | 131,480 | 127,689 |
| Leasehold improvements | 278,335 | 278,361 |
| Simulators | 1,681,526 | 1,489,250 |
| Computers | <u>45,801</u> | <u>43,708</u> |
| | 2,169,794 | 1,971,678 |
| Less: accumulated depreciation and amortization | <u>328,033</u> | <u>269,216</u> |
| | <u>1,841,761</u> | <u>1,702,462</u> |
| Development | | |
| Courseware | <u>2,116,902</u> | <u>1,855,301</u> |
| | <u>2,116,902</u> | <u>1,855,301</u> |
| | <u>\$ 3,958,663</u> | <u>\$ 3,557,763</u> |

Depreciation expense for the years ended December 31, 2018 and 2017 totaled \$58,817 and \$77,177, respectively.

Assets relating to the simulators and courseware have not been depreciated as such assets are expected to commence use in 2019.

The Organization is developing a virtual reality simulator and courseware to train cataract specialist in Manual Small Incision Cataract Surgery (MSICS). The design calls to achieve a level of realism that is virtually indistinguishable from live surgery performed by an experienced surgeon. This will replace traditional MSICS training with simulator based proficiency training rather than using it as an adjunct to live training. The Organization is applying the aviation FAA level D simulator standard both as a quality standard and as a template for developing the simulator. The various component technologies required for simulation that meets the Organizations goals are:

- Haptic
- Large incision, topological changes
- Tissue/tool collision
- Deformation
- Force calculation

Proficiency level of training of cataract surgeons is accomplished with Instructor Based Training (IBT), Computer Based Training (CBT) and Simulator Based Training (SBT) instructional curriculum and learning management systems. The Organization has successfully developed proof of concept models of the Eye Surgical Simulator for Cataract. Based on relative merits of the models and cost considerations the chosen concept will go into further development and production. Physics based model of the eye developed with extensive data gathered during live cataract surgeries is used as the foundation of the HelpMeSee Eye Surgical Simulator for Cataract.

HelpMeSee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2018

Research and development costs related to the design, development and production of the prototype model are being expensed as incurred. During the year ended December 31, 2017, the Organization capitalized ten simulators to be used for training at a cost of \$1,489,250. Research and development costs of \$2,680,776 and \$3,215,339 were expensed in 2018 and 2017, respectively.

(4) LINE-OF-CREDIT

The Organization had lines-of-credit from two Foundations towards start-up costs, including the design and development of the simulator. The total amount of funds available under the lines-of-credit was \$5,000,000. The lines-of-credit had an interest rate equal to .45% over the LIBOR 30-day Index Rate.

During 2017, the Foundations converted the balance of the outstanding debt, including interest, totaling \$3,929,092, to an unrestricted contribution.

(5) NET ASSETS

Net assets with donor restrictions are available for the following purposes at December 31, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|--|----------------------|---------------------|
| Subject to expenditure for a special purpose: | | |
| Cataract surgeries | \$ 4,431,688 | \$ 1,512,310 |
| Patient database | 348,226 | - |
| Training | <u>7,188,600</u> | <u>143,051</u> |
| | <u>11,968,514</u> | <u>1,655,361</u> |
| Subject to the passage of time: | | |
| Time Restricted | <u>20,000</u> | <u>30,000</u> |
| Total | <u>\$ 11,988,514</u> | <u>\$ 1,685,361</u> |

Net assets included above and related to the litigation award including interest income amounted to \$10,110,822 at December 31, 2018.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended December 31, 2018:

| | <u>2018</u> |
|--------------------|-------------------|
| Cataract surgeries | \$ 368,771 |
| Time Restricted | <u>10,000</u> |
| Total | <u>\$ 378,771</u> |

HelpMeSee surgical partners performed 868 surgeries in 2018 and 11,789 surgeries in 2017. Every surgical reimbursement is accounted for using the surgical quality assurance and reporting available on the HelpMeSee web based surgical partners and patient information system.

(6) CONTRIBUTIONS

For the years ended December 31, 2018 and 2017, the Organization received contributions from two foundations in the amount of \$14,932,893 and \$14,069,741, respectively, which represents 89% of the Organization's total revenue. These two foundations also have provided the Organization with a line-of-credit (*See Note 4*).

HelpMeSee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2018

(7) LEASE COMMITMENTS

The Organization has leases for office space, which expire through February 2023, for its New York, Hong Kong, China and India offices.

Rent expense for the years ended December 31, 2018 and 2017 was \$555,913 and \$633,028, respectively.

Future minimum rental commitments under these leases are as follows:

| <u>Fiscal Year</u> | <u>Amount</u> |
|--------------------|---------------------|
| 2019 | \$ 46,000 |
| 2020 | 376,000 |
| 2021 | 325,000 |
| 2022 | 321,000 |
| 2023 | <u>27,000</u> |
| | <u>\$ 1,525,000</u> |

(8) LITIGATION

In connection with the litigation with Wonder Work, Inc. (f/k/a Surgery for the Poor, Inc., hereinafter “Wonderwork”), the Organization was awarded \$16,054,348 which consisted of attorney fees and costs. Wonderwork filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code before the U.S. Bankruptcy Court for the Southern District of New York. In 2018, as a final settlement with the Organization, the Trustee of the Wonderwork bankruptcy approved \$10,073,193 of restricted funds, based upon a proposal submitted by the Organization for the planned disbursement of such restricted funds. In the Organization’s proposal, expenditure of the restricted funds is planned over a five-year period.

In connection with the final settlement, the Organization and other creditors established a liquidating trust (“Trust”) to commence action against other parties involved with Wonderwork and its bankruptcy including the former president, Board of Directors and its auditors. The Organization holds a 99% membership in this Trust.

(9) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The Organization strives to maintain liquid financial assets to be available as its general expenditures, liabilities and other obligations become due. Financial assets in excess of daily cash requirements are invested in an interest bearing cash account. As part of the Organization’s liquidity management, it has a practice to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The following table reflects the Organization’s financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contracted restrictions. Amounts not available to meet general expenditures within one year may include net assets with donor restrictions.

| Financial Assets | <u>2018</u> |
|--|---------------------|
| Cash and cash equivalents | \$ 12,847,846 |
| Accounts receivable | 10,460 |
| Pledges receivable | <u>38,000</u> |
| | 12,896,306 |
| Less: Restricted net assets not to be expended within one year | <u>(10,458,514)</u> |
| Total financial assets available within one year | <u>\$ 2,437,792</u> |

HelpMeSee, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2018

(10) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, May 9, 2019, have been evaluated in the preparation of the financial statements.

The Organization's Joint Development Agreement for the HMS MSICS Eye Surgery Hardware Simulator with an outside vendor expired on June 30, 2018. At the conclusion of the interim period which ended April 29, 2019, the parties agreed that the outside vendor would continue to provide simulator haptic hardware and support for a minimum of 10 years. In connection with the new agreement, the Organization will receive a return of a down-payment and a credit against an outstanding invoice. The Organization is assuming control of the simulator software development effort.