HELEN KELLER INTERNATIONAL

CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2019

HELEN KELLER INTERNATIONAL

TABLE OF CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1-2
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position, June 30, 2019 and 2018	3
Consolidated Statement of Activities and Changes in Net Assets, Year Ended June 30, 2019 with Summarized Information for 2018	4
Consolidated Statements of Cash Flows, Years Ended June 30, 2019 and 2018	5
Consolidated Statement of Functional Expenses, Year Ended June 30, 2019 with Summarized Information for 2018	6
Notes to Consolidated Financial Statements	7-18

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Helen Keller International
New York, New York

We have audited the accompanying consolidated financial statements of Helen Keller International (a New York not-for-profit corporation) ("HKI") which comprise the consolidated statement of financial position as of June 30, 2019, 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.

Emphasis of a Matter

As discussed in note 2 to the financial statements, in 2019, HKI adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Board of Trustees
Helen Keller International
New York, New York

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, 2019, 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.

Report on Summarized Comparative Information

We have previously audited HKI's 2018 consolidated financial statements, and our report dated January 7, 2019, 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, 2018 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 8, 2020

HELEN KELLER INTERNATIONAL

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2019 And 2018

	2019	**2018**
ASSETS		
Cash and cash equivalents	$ 29,239,514	$ 15,940,383
Cash held in international offices	7,566,275	6,598,124
Investments	2,627,889	2,424,528
Grants receivable	6,401,633	9,076,624
Contributions receivable	12,423,356	8,100,328
Beneficial interest in perpetual and restricted trusts	1,122,152	1,135,993
Fixed assets, net	1,362,915	1,747,439
Security deposits and other assets	1,507,226	1,505,447
Total assets	$ 62,250,960	$ 46,528,866
LIABILITIES		
Accounts payable and accrued expenses	$ 4,572,954	$ 5,075,893
Deferred revenue	11,203,261	7,412,648
Loan payable	326,702	440,091
Severance accrual – international offices	1,364,824	1,333,467
Total liabilities	17,467,741	14,262,099
NET ASSETS		
Without donor restrictions	7,244,429	7,742,469
With donor restrictions	37,538,790	24,524,298
Total net assets	44,783,219	32,266,767
Total liabilities and net assets	$ 62,250,960	$ 46,528,866

HELEN KELLER INTERNATIONAL

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2019 With Summarized Information For 2018

	Without Donor Restrictions	With Donor Restrictions	2019	2018
Operating Support and Revenue				
Support				
Contributions – corporations, foundations, and individuals	$ 14,218,036	$ 27,622,628	$ 41,840,664	$ 26,288,075
Contributions – medicines and other (in-kind)	117,422,888	-	117,422,888	165,249,345
Legacies and trusts	262,342	6,581	268,923	300,765
Grants – U.S. Government agencies	40,364,873	-	40,364,873	52,437,404
Grants – Non U.S. Government agencies	4,062,050	-	4,062,050	2,926,381
Net assets released from restrictions	15,536,580	(15,536,580)	-	-
Total support	191,866,769	12,092,629	203,959,398	247,201,970
Revenue				
Program and other revenue	139,366	871,539	1,010,905	870,951
Dividends and interest income	61,876	64,165	126,041	55,732
Total revenue	201,242	935,704	1,136,946	926,683
Total operating support and revenue	192,068,011	13,028,333	205,096,344	248,128,653
Expenses				
Program services:				
ChildSight®	2,365,103	-	2,365,103	1,971,043
Nutrition, including Vitamin A	40,782,745	-	40,782,745	44,889,134
International Eye Health	1,434,756	-	1,434,756	1,539,430
Neglected Tropical Diseases	17,395,512	-	17,395,512	22,746,642
Distribution of medicines and other (in-kind), primarily for blindness prevention	117,417,888	-	117,417,888	165,249,345
Total program services	179,396,004	-	179,396,004	236,395,594
Support services				
Management and general	10,812,695	-	10,812,695	10,398,832
Fundraising	2,378,857	-	2,378,857	2,151,452
Total support services	13,191,552	-	13,191,552	12,550,284
Total expenses	192,587,556	-	192,587,556	248,945,878
Excess (deficit) of revenue over expenses	(519,545)	13,028,333	12,508,788	(817,225)
Other Changes				
Net realized and unrealized gains on investments	21,505	-	21,505	45,079
Change in perpetual and restricted trusts	-	(13,841)	(13,841)	40,017
Change in net assets	(498,040)	13,014,492	12,516,452	(732,129)
Net Assets				
Beginning of year	7,742,469	24,524,298	32,266,767	32,998,896
End of year	$ 7,244,429	$ 37,538,790	$ 44,783,219	$ 32,266,767

HELEN KELLER INTERNATIONAL

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2019 And 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$12,516,452	$ (732,129)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	660,053	754,256
Net realized/unrealized gain on investments	(21,505)	(45,079)
Loss on disposal of fixed assets	9,728	45,831
Change in perpetual and restricted trusts	13,841	(40,017)
Changes in operating assets and liabilities		
Cash held in international offices	(968,151)	3,702,771
Grants receivable	2,674,991	522,751
Contributions receivable	(4,323,028)	3,997,333
Security deposits and other assets	(1,779)	(68,238)
Accounts payable and accrued expenses	(502,939)	332,098
Deferred revenue	3,790,613	(136,044)
Severance accrual – international offices	31,357	195,533
Net cash provided by operating activities	13,879,633	8,529,066
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in invested cash and cash equivalents	(188,784)	(18,743)
Net sales of investments	6,928	2,064
Purchases of fixed assets	(285,257)	(548,812)
Net cash used in investing activities	(467,113)	(565,491)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan repayments	(113,389)	(27,779)
Net cash used in financing activities	(113,389)	(27,779)
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,299,131	7,935,796
CASH AND CASH EQUIVALENTS		
Beginning of year	15,940,383	8,004,587
End of year	$29,239,514	$15,940,383

HELEN KELLER INTERNATIONAL

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019 With Summarized Information For 2018

		Supporting Services			Totals	
	Program Services	Management And General	Fundraising	Total	2019	2018
Expenses						
Personnel	$ 22,578,976	$ 7,420,551	$ 1,391,128	$ 8,811,679	$ 31,390,655	$ 32,157,654
Travel (staff and trainees)	4,735,209	491,183	11,038	502,221	5,237,430	5,469,076
Subgrants	22,735,557	-	-	-	22,735,557	28,167,989
Meetings, conferences and training workshops	1,165,479	45,434	7,694	53,128	1,218,607	1,082,158
Equipment, supplies and maintenance	1,008,534	495,520	67,778	563,298	1,571,832	1,838,397
Program supplies	1,725,744	-	-	-	1,725,744	2,612,583
Vehicles and vehicle maintenance	1,379,965	4,947	-	4,947	1,384,912	1,681,364
Professional fees and services	3,376,964	512,463	45,857	558,320	3,935,284	4,127,817
Advertising and broadcasting	184,393	19,503	26,411	45,914	230,307	335,876
Postage	111,574	4,346	2,997	7,343	118,917	100,775
Direct mail	-	-	658,705	658,705	658,705	652,040
Telephone and communication	554,183	202,118	36,685	238,803	792,986	908,320
Depreciation	346,348	313,705	-	313,705	660,053	754,256
Occupancy	1,336,996	1,041,574	-	1,041,574	2,378,570	2,375,979
Printing	445,135	3,585	1,970	5,555	450,690	749,488
Other expense	293,059	257,766	123,594	381,360	674,419	682,761
Total expenses before in-kind	61,978,116	10,812,695	2,373,857	13,186,552	75,164,668	83,696,533
Medicines and other (in-kind)	117,417,888	-	5,000	5,000	117,422,888	165,249,345
Total expenses	$ 179,396,004	$ 10,812,695	$ 2,378,857	$ 13,191,552	$ 192,587,556	$ 248,945,878

See notes to financial statements.

(1) NATURE OF ORGANIZATION AND TAX-EXEMPT STATUS

Helen Keller International ***("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, retinopathy of prematurity, refractive error and neglected tropical diseases including onchocerciasis (river blindness), trachoma, intestinal worms, schistosomiasis and lymphatic filariasis. HKI operates in three regions (Africa, Asia and the Americas), encompassing approximately twenty-one 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, 2019 and 2018, 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.

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, 2019 and 2018, HKI received and distributed $116,895,000 and $164,901,750, 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.

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, net assets with donor restrictions are then classified to net assets without donor restrictions 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:

Net Assets without donor-imposed restrictions **–** include the revenues and expenses associated with the principal mission of HKI.

Net Assets with donor-imposed restrictions **–** include gifts for which donor-imposed restrictions have not been met. Also included in this category are net assets required to be held in perpetuity which include:

- 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.

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 $127,800 and $124,600 in 2019 and 2018, respectively.

ALLOCATION OF EXPENSES

The costs of providing the various programs and supporting services have been summarized on the consolidated statement of activities and changes in net assets on a functional basis. Most expenses can be directly allocated to programs or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. The expenses in these categories include occupancy, depreciation, office expenses, insurance, salaries and wages of support personnel and require allocation on a reasonable basis that is consistently applied. The allocation of expenses is based on allocation factors such as direct cost, level of effort and other factors as determined by management.

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 (2016 - 2018) or expected to be taken in HKI's fiscal 2019 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, 2018, from which the summarized information was derived.

NEW ACCOUNTING PRONOUNCEMENT - ADOPTED

On August 18, 2016, the FASB issued Accounting Standards Update ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities.* The update addressed the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. 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, under water endowment funds, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. This ASU was adopted by HKI for the year ended June 30, 2019 and did not have a material effect on the statement of financial position or results of operations.

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018 is as follows:

	ASU 2016-14 Classifications		
Net Asset Classifications	**Without Donor Restrictions**	**With Donor Restrictions**	**Total Net Assets**
Unrestricted Net Assets	$7,742,469	$ -	$ 7,742,469
Temporarily Restricted	-	23,441,409	23,441,409
Permanently Restricted	-	1,082,889	1,082,889
Net assets as reclassified	$7,742,469	$24,524,298	$32,266,767

ACCOUNTING PRONOUNCEMENTS - NOT YET ADOPTED

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. HKI plans to adopt the new ASU at the required implementation date.

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. HKI 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. HKI plans to adopt the new ASU at the required implementation date.

RECLASSIFICATIONS

Certain reclassifications were made to the 2018 financial statements to conform to the 2019 presentation.

(3) MARKETABLE SECURITIES

As of June 30, 2019 and 2018, the cost and the fair value of marketable securities were as follows:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Cash and Money Market Funds	$ 989,731	$ 989,731	$ 963,654	$ 963,654
Certificates of Deposit	1,049,565	1,049,565	886,858	886,858
U.S. Government Agency – FNMA	37,250	41,050	45,971	48,880
Mutual Funds	421,399	547,543	401,388	525,136
	$ 2,497,945	$ 2,627,889	$2,297,871	$2,424,528

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, 2019 and 2018 are as follows:

	2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments				
Cash and Money Market Funds	$ 989,731	$ 989,731	$ -	$ -
Certificates of Deposit	1,049,565	1,049,565	-	-
U.S. Government Agency - FNMA	41,050	-	41,050	-
Mutual Funds	547,543	547,543	-	-
	$ 2,627,889	$ 2,586,839	$ 41,050	$ -
Beneficial Interest in perpetual and restricted trusts	$ 1,122,152	$ -	$ -	$ 1,122,152

	2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments				
Cash and Money Market Funds	$ 963,654	$ 963,654	$ -	$ -
Certificates of Deposit	886,858	886,858	-	-
U.S. Government Agency - FNMA	48,880	-	48,880	-
Mutual Funds	525,136	525,136	-	-
	$ 2,424,528	$ 2,375,648	$ 48,880	$ -
Beneficial Interest in perpetual and restricted trusts	$ 1,135,993	$ -	$ -	$ 1,135,993

There were no transfers between Level 1 and 2 for the years ended June 30, 2019 and 2018.

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:

	2019	**2018**
Beginning balance	$ 1,135,993	$ 1,095,976
Realized/unrealized gains (losses) – net/change in valuation	(13,841)	40,017
Ending balance	$ 1,122,152	$ 1,135,993

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:

	2019	2018
Due in less than one year	$ 6,054,710	$ 7,337,286
Due in one to five years	6,479,240	780,821
Total contributions receivable	12,533,950	8,118,107
Less: Discount at 1.75% and 2.33% at June 30, 2019 and 2018, respectively	(110,594)	(17,779)
Net present value of contributions receivable	$12,423,356	$ 8,100,328

No allowance for uncollectible contributions receivable has been recorded at June 30, 2019 and 2018 based on management's estimate of collectability.

(5) FIXED ASSETS

Fixed assets, as of June 30, 2019 and 2018, were comprised of the following:

	2019	2018
Furniture and equipment	$ 1,915,482	$ 1,851,710
Leasehold improvements	18,998	18,998
Field office furniture, vehicles and equipment	4,023,579	4,050,585
	5,958,059	5,921,293
Less: accumulated depreciation and amortization	(4,595,144)	(4,173,854)
	$ 1,362,915	$ 1,747,439

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

(6) NET ASSETS

Net assets with donor-imposed restrictions are available at June 30 as follows:

	2019	2018
Restricted by Purpose		
ChildSight®	$ 1,427,099	$ 2,632,648
Neglected Tropical Diseases	1,399,353	3,483,305
Nutrition	32,831,577	16,656,610
International Eye Health	814,258	668,846
	36,472,287	23,441,409
Perpetual in Nature		
Beneficial interest in perpetual trusts	1,044,409	1,060,795
Endowment funds	22,094	22,094
	1,066,503	1,082,889
Total donor restricted net assets	$ 37,538,790	$ 24,524,298

During the year ended June 30, 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

Net Assets with donor restrictions:

ChildSight®	$ 2,638,324
Neglected Tropical Diseases	2,098,863
Nutrition	10,011,942
International Eye Health	787,451
	$ 15,536,580

(7) EMPLOYEE RETIREMENT PLANS

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 $470,400 and $469,000 for the years ended June 30, 2019 and 2018, 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 $99,300 and $108,600 for the years ended June 30, 2019 and 2018, respectively.

(8) LOAN PAYABLE

HKI has a loan facility from a foundation which had an initial available balance of 1,500,000 Australian dollars (approximately $1,151,000). HKI could draw on the facility through July 1, 2017 to assist with the implementation of the new enterprise resource planning system. Advances on the loan accrue interest at a rate of 1.53%. Accrued interest is payable at the end of each calendar year, however, the foundation agreed to donate the interest paid back to HKI. Quarterly payments of principal began on July 1, 2018 with the final payment due July 1, 2020. The loan balance is collateralized by grants receivable (excluding U.S. and foreign governments) and unrestricted contributions receivable. The outstanding balance at June 30, 2019 and 2018 was $326,702 and $440,091, respectively.

Principal payments under the terms of the loan are as follows:

Year Ending June 30,	Payments
2020	$ 115,307
2021	211,395
	$ 326,702

(9) COMMITMENTS AND CONTINGENCIES

LEASE

HKI leases office space in New York City under a lease which commenced January 2018 and expires December 2025. In addition, HKI leases certain office equipment under operating leases expiring through April 2022. 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:

Year Ending June 30,	Amounts Per Lease Agreements
2020	$ 978,400
2021	860,700
2022	884,800
2023	792,700
2024	710,300
Thereafter	1,066,100
Future minimum lease payments	$ 5,293,000

Rent expense for the years ended June 30, 2019 and 2018 was approximately $1,726,600 and $1,740,500, respectively.

As of June 30, 2019 and 2018, there was a $100,000 letter of credit to the landlord in lieu of a security deposit. In addition, at June 30, 2018, there was an outstanding letter of credit for $237,900 from a financial institution in lieu of a security deposit for the New York office space lease that expired in January 2018 that was at a different location. This letter of credit was released on September 1, 2018.

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, 2018. Management believes that any adjustment to the 2019 administrative overhead rate, if any, will not have a material effect on the financial position or operating results of HKI.

(10) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects HKI's financial assets as of June 30, 2019 and 2018, reduced by amounts that are not available by contractual restrictions and/or Board designations to meet general expenditures within one year of the statement of financial position date because of contractual restrictions.

	2019	2018
Financial Assets		
Cash and cash equivalents	$ 29,239,514	$ 15,940,383
Cash held in international offices	7,566,275	6,598,124
Investments	2,627,889	2,424,528
Grants receivable	6,401,633	9,076,624
Contributions receivable, current portion	6,054,710	7,337,286
Total financial assets	51,890,021	41,376,945
Less:		
Purpose restricted net assets	(30,103,641)	(22,678,367)
Net assets required to be held in perpetuity	(22,094)	(22,094)
Gift annuities	(90,172)	(87,101)
Total financial assets available within one year	$ 21,674,114	$ 18,589,383

The organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The organization manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The organization has a liquidity policy to maintain current financial assets less current liabilities at a target minimum equal to 6 months of average recurring operating costs by setting aside at least an average of two percent (2%) of annual unrestricted proceeds over a rolling three-year period. To achieve these targets, the organization monitors its liquidity quarterly and monitors its reserves annually.

(11) SUBSEQUENT EVENTS

Subsequent events after the balance sheet through the date that the financial statements were available for issuance, January 8, 2020 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.