HELEN KELLER INTERNATIONAL

CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2018

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CERTIFIED PUBLIC ACCOUNTANTS

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, 2018, 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, 2018, 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
New York, New York

Report on Summarized Comparative Information

We have previously audited HKI's 2017 consolidated financial statements, and our report dated January 19, 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 June 30, 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
January 7, 2019

HELEN KELLER INTERNATIONAL

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2018 And 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 15,940,383	$ 8,004,587
Cash held in international offices	6,598,124	10,300,895
Investments	2,424,528	2,362,770
Grants receivable	9,076,624	9,599,375
Contributions receivable	8,100,328	12,097,661
Beneficial interest in perpetual and restricted trusts	1,135,993	1,095,976
Fixed assets, net	1,747,439	1,998,714
Security deposits and other assets	1,505,447	1,437,209
Total assets	$ 46,528,866	$ 46,897,187
LIABILITIES		
Accounts payable and accrued expenses	$ 5,075,893	$ 4,743,795
Deferred revenue	7,412,648	7,548,692
Loan payable	440,091	467,870
Severance accrual – international offices	1,333,467	1,137,934
Total liabilities	14,262,099	13,898,291
NET ASSETS		
Unrestricted	7,742,469	7,731,868
Temporarily restricted	23,441,409	24,220,700
Permanently restricted	1,082,889	1,046,328
Total net assets	32,266,767	32,998,896
Total liabilities and net assets	$ 46,528,866	$ 46,897,187

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CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2018 With Summarized Information For 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018	2017
Operating Support and Revenue					
Support					
Contributions – corporations, foundations, and individuals	$ 12,216,094	$ 14,071,981	$ -	$ 26,288,075	$ 25,866,268
Contributions – medicines and other (in-kind)	165,249,345	-	-	165,249,345	147,781,911
Legacies and trusts	227,114	73,651	-	300,765	330,794
Grants – U.S. Government agencies	52,437,404	-	-	52,437,404	47,262,350
Grants – Non U.S. Government agencies	2,926,381	-	-	2,926,381	3,091,133
Net assets released from restrictions	15,505,880	(15,505,880)	-	-	-
Total support	248,562,218	(1,360,248)	-	247,201,970	224,332,456
Revenue					
Program and other revenue	336,595	534,356	-	870,951	685,487
Dividends and interest income	12,587	43,145	-	55,732	15,821
Total revenue	349,182	577,501	-	926,683	701,308
Total operating support and revenue	248,911,400	(782,747)	-	248,128,653	225,033,764
Expenses					
Program services:					
ChildSight®	1,971,043	-	-	1,971,043	1,749,107
Nutrition, including Vitamin A	44,889,134	-	-	44,889,134	37,696,346
International Eye Health	1,539,430	-	-	1,539,430	1,286,351
Neglected Tropical Diseases	22,746,642	-	-	22,746,642	22,513,604
Distribution of medicines and other (in-kind), primarily for blindness prevention	165,249,345	-	-	165,249,345	147,781,911
Total program services	236,395,594	-	-	236,395,594	211,027,319
Support services					
Management and general	10,398,832	-	-	10,398,832	9,571,819
Fundraising	2,151,452	-	-	2,151,452	1,798,042
Total support services	12,550,284	-	-	12,550,284	11,369,861
Total expenses	248,945,878	-	-	248,945,878	222,397,180
Excess (deficit) of revenue over expenses	(34,478)	(782,747)	-	(817,225)	2,636,584
Other Changes					
Net realized and unrealized gains on investments	45,079	-	-	45,079	58,840
Change in perpetual and restricted trusts	-	3,456	36,561	40,017	70,013
Change in net assets	10,601	(779,291)	36,561	(732,129)	2,765,437
Net Assets					
Beginning of year	7,731,868	24,220,700	1,046,328	32,998,896	30,233,459
End of year	$ 7,742,469	$ 23,441,409	$ 1,082,889	$ 32,266,767	$ 32,998,896

HELEN KELLER INTERNATIONAL

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2018 And 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (732,129)	$ 2,765,437
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	754,256	715,273
Net realized/unrealized gain on investments	(45,079)	(58,840)
Loss on disposal of fixed assets	45,831	19,849
Change in perpetual and restricted trusts	(40,017)	(70,013)
Changes in operating assets and liabilities		
Cash held in international offices	3,702,771	(6,887,041)
Grants receivable	522,751	319,881
Contributions receivable	3,997,333	(1,795,075)
Security deposits and other assets	(68,238)	198,609
Accounts payable and accrued expenses	332,098	634,354
Deferred revenue	(136,044)	3,604,080
Severance accrual – international offices	195,533	(77,570)
Net cash provided by (used in) operating activities	8,529,066	(631,056)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in invested cash and cash equivalents	(18,743)	150,418
Net sales (purchases) of investments	2,064	(2,792)
Purchases of fixed assets	(548,812)	(849,744)
Net cash used in investing activities	(565,491)	(702,118)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan repayments	(27,779)	-
Proceeds from loan	-	467,870
Net cash (used in) provided by financing activities	(27,779)	467,870
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,935,796	(865,304)
CASH AND CASH EQUIVALENTS		
Beginning of year	8,004,587	8,869,891
End of year	$15,940,383	$ 8,004,587

HELEN KELLER INTERNATIONAL

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018 With Summarized Information For 2017

	Program Services	Supporting Services			Totals	
		Management And General	Fundraising	Total	2018	2017
Expenses						
Personnel	$ 23,778,041	$ 7,141,737	$ 1,237,876	$ 8,379,613	$ 32,157,654	$ 31,463,762
Travel (staff and trainees)	5,057,842	405,887	5,347	411,234	5,469,076	5,523,902
Subgrants	28,167,989	-	-	-	28,167,989	21,005,170
Meetings, conferences and training workshops	1,026,794	52,272	3,092	55,364	1,082,158	418,865
Equipment, supplies and maintenance	1,310,618	477,035	50,744	527,779	1,838,397	1,841,171
Program supplies	2,612,583	-	-	-	2,612,583	2,914,564
Vehicles and vehicle maintenance	1,677,604	3,760	-	3,760	1,681,364	1,688,728
Professional fees and services	3,502,795	605,638	19,384	625,022	4,127,817	3,405,029
Advertising and broadcasting	289,118	-	46,758	46,758	335,876	391,075
Postage	87,646	10,108	3,021	13,129	100,775	73,483
Direct mail	-	-	652,040	652,040	652,040	550,867
Telephone and communication	706,412	149,578	52,330	201,908	908,320	809,230
Depreciation	439,056	315,200	-	315,200	754,256	715,273
Occupancy	1,399,444	976,535	-	976,535	2,375,979	2,449,260
Printing	723,186	7,004	19,298	26,302	749,488	537,564
Other expense	367,121	254,078	61,562	315,640	682,761	827,326
Total expenses before in-kind	71,146,249	10,398,832	2,151,452	12,550,284	83,696,533	74,615,269
Medicines and other (in-kind)	165,249,345	-	-	-	165,249,345	147,781,911
Total expenses	$ 236,395,594	$ 10,398,832	$ 2,151,452	$ 12,550,284	$ 248,945,878	$ 222,397,180

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, 2018 and 2017, 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, 2018 and 2017, HKI received and distributed $164,901,750 and $147,117,000, 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, 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.

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) gains amounted to approximately $(124,600) and $2,400 in 2018 and 2017, 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 (2015 - 2017) or expected to be taken in HKI's fiscal 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 financial statements of HKI, as of, and for the year ended, June 30, 2017, from which the summarized information was derived.

RECLASSIFICATIONS

Certain reclassifications were made to the 2017 financial statements to conform to the 2018 presentation.

ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of HKI's financial statements, it is not expected to alter HKI's reported financial position. 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.

(3) MARKETABLE SECURITIES

As of June 30, 2018 and 2017, the cost and the fair value of marketable securities were as follows:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash and Money Market Funds	$ 963,654	$ 963,654	$ 947,053	$ 947,053
Certificates of Deposit	886,858	886,858	884,716	884,716
U.S. Government Agency – FNMA	45,971	48,880	49,600	53,961
Mutual Funds	401,388	525,136	386,859	477,040
	$ 2,297,871	$ 2,424,528	$2,268,228	$2,362,770

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, 2018 and 2017 are as follows:

	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

	2017			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments				
Cash and Money Market Funds	$ 947,053	$ 947,053	$ -	$ -
Certificates of Deposit	884,716	884,716	-	-
U.S. Government Agency - FNMA	53,961	-	53,961	-
Mutual Funds	477,040	477,040	-	-
	$ 2,362,770	$ 2,308,809	$ 53,961	$ -
Beneficial Interest in perpetual and restricted trusts	$ 1,095,976	$ -	$ -	$ 1,095,976

There were no transfers between Level 1 and 2 for the years ended June 30, 2018 and 2017.

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:

	2018	**2017**
Beginning balance	$ 1,095,976	$ 1,025,963
Realized/unrealized gains – net/change in valuation	40,017	70,013
Ending balance	$ 1,135,993	$ 1,095,976

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:

	2018	**2017**
Due in less than one year	$ 7,337,286	$ 7,171,222
Due in one to five years	780,821	4,980,609
Total contributions receivable	8,118,107	12,151,831
Less: Discount at 2.33% and 1.24% at June 30, 2018 and 2017, respectively	(17,779)	(54,170)
Net present value of contributions receivable	$ 8,100,328	$ 12,097,661

No allowance for uncollectible contributions receivable has been recorded at June 30, 2018 and 2017 based on management's estimate of collectability.

(5) FIXED ASSETS

Fixed assets, as of June 30, 2018 and 2017, were comprised of the following:

	2018	**2017**
Furniture and equipment	$ 1,851,710	$ 1,968,012
Leasehold improvements	18,998	43,099
Field office furniture, vehicles and equipment	4,050,585	4,200,347
	5,921,293	6,211,458
Less: accumulated depreciation and amortization	(4,173,854)	(4,212,744)
	$ 1,747,439	$ 1,998,714

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

(6) NET ASSETS

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018 and 2017, respectively, are available for the following purposes:

	2018	**2017**
ChildSight®	$ 2,632,648	$ 1,548,792
Neglected Tropical Diseases	3,483,305	6,316,455
Nutrition	16,656,610	15,932,422
International Eye Health	668,846	423,031
	$ 23,441,409	$ 24,220,700

During the year ended June 30, 2018, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

Temporarily restricted net assets:	
ChildSight®	$ 2,008,033
Neglected Tropical Diseases	2,922,523
Nutrition	9,991,436
International Eye Health	583,888
	$ 15,505,880

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2018 and 2017, respectively, are available for the following purposes:

	2018	**2017**
Beneficial interest in perpetual trusts	$ 1,060,795	$ 1,024,234
Endowment funds	22,094	22,094
	$ 1,082,889	$ 1,046,328

(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 $469,000 and $465,100 for the years ended June 30, 2018 and 2017, 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 $108,600 and $117,900 for the years ended June 30, 2018 and 2017, respectively.

(8) LOAN PAYABLE

Effective August 5, 2015, 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. Any outstanding loan balance would be collateralized by grants receivable (excluding U.S. and foreign governments) and unrestricted contributions receivable. The outstanding balance at June 30, 2018 and 2017 was $440,091 and $467,870.

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

Year Ending June 30,	Payments
2019	$ 84,273
2020	149,818
2021	206,000
	$ 440,091

(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**
2019	$ 957,300
2020	733,200
2021	694,900
2022	719,000
2023	709,800
Thereafter	1,776,400
Future minimum lease payments	$ 5,590,600

Rent expense for the years ended June 30, 2018 and 2017 was approximately $1,621,900 and $1,660,900, respectively.

As of June 30, 2018, there is 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, 2017. Management believes that any adjustment to the 2018 administrative overhead rate, if any, will not have a material effect on the financial position or operating results of HKI.

(10) SUBSEQUENT EVENTS

Subsequent events after the balance sheet through the date that the financial statements were available for issuance, January 7, 2019 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.