

HelpMeSee, Inc.

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

DECEMBER 31, 2013

HelpMeSee, Inc.

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS | 1 |
| FINANCIAL STATEMENTS | |
| <i>Statements of Financial Position,</i> December 31, 2013 and 2012 | 2 |
| <i>Statements of Activities and Changes in Net Assets,</i> Years ended December 31, 2013 and 2012 | 3 |
| <i>Statement of Functional Expenses,</i> Year ended December 31, 2013 | 4 |
| <i>Statement of Functional Expenses,</i> Year ended December 31, 2012 | 5 |
| <i>Statements of Cash Flows,</i> Years ended December 31, 2013 and 2012 | 6 |
| <i>Notes to Financial Statements</i> | 7-13 |

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of HelpMeSee, Inc. (the “*Organization*”), which comprise the statements of financial position as of December 31, 2013 and 2012 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HelpMeSee, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
April 11, 2014

HelpMeSee, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31, 2013 And 2012

| | <u>2013</u> | <u>2012</u> |
|--|----------------------|---------------------|
| ASSETS | | |
| ASSETS | | |
| Cash and cash equivalents | \$ 2,427,408 | \$ 4,016,272 |
| Investments (<i>Note 2</i>) | - | 1,608,720 |
| Accounts receivable | 34,630 | 5,542 |
| Pledge receivable | 9,082,645 | - |
| Prepaid expenses | 202,068 | 132,748 |
| Furniture, equipment and capital expenses, net (<i>Note 3</i>) | 626,127 | 1,401,271 |
| Other assets | <u>18,120</u> | <u>18,120</u> |
| Total assets | <u>\$ 12,390,998</u> | <u>\$ 7,182,673</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts and accrued expenses payable | \$ 2,006,432 | \$ 459,132 |
| Line-of-Credit (<i>Note 4</i>) | 4,610,000 | 610,000 |
| Non-interest note payable (<i>Note 5</i>) | <u>3,000,000</u> | <u>3,000,000</u> |
| Total liabilities | <u>9,616,432</u> | <u>4,069,132</u> |
| NET ASSETS | | |
| Unrestricted | | |
| Undesignated | 2,774,566 | 1,283,431 |
| Designated (<i>Note 6</i>) | <u>-</u> | <u>1,830,110</u> |
| Total net assets | <u>2,774,566</u> | <u>3,113,541</u> |
| Total liabilities and net assets | <u>\$ 12,390,998</u> | <u>\$ 7,182,673</u> |

HelpMeSee, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31, 2013 And 2012

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| PUBLIC SUPPORT | | |
| Individuals | \$ 2,716,240 | \$ 2,760,467 |
| Corporations | 9,360 | 6,315 |
| Foundations (<i>Note 7</i>) | 11,088,255 | 6,222,732 |
| International Contributions (<i>Note 7</i>) | 82,645 | - |
| In-Kind contributions | 47,090 | 61,977 |
| Investment income (loss) | 327,714 | 188,088 |
| Rental income | <u>40,664</u> | <u>5,541</u> |
| Total revenue and other support | <u>14,311,968</u> | <u>9,245,120</u> |
| EXPENSES | | |
| Program services | | |
| Technical assistance | 630,213 | 365,614 |
| Surgical training and quality assurance | 5,679,698 | 211,715 |
| Cataract surgeries | 3,513,101 | 1,350,708 |
| Public awareness | <u>1,441,135</u> | <u>2,887,727</u> |
| Total program services | <u>11,264,147</u> | <u>4,815,764</u> |
| Supporting services | | |
| Management and general | 974,287 | 149,941 |
| Fundraising | <u>2,412,509</u> | <u>2,060,097</u> |
| Total supporting services | <u>3,386,796</u> | <u>2,210,038</u> |
| Total expenses | <u>14,650,943</u> | <u>7,025,802</u> |
| Change in net assets | (338,975) | 2,219,318 |
| NET ASSETS | | |
| Beginning of year | <u>3,113,541</u> | <u>894,223</u> |
| End of year | <u>\$ 2,774,566</u> | <u>\$ 3,113,541</u> |

HelpMeSee, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2013

| | <u>Technical Assistance</u> | <u>Surgical Training And Quality Assurance</u> | <u>Cataract Surgeries</u> | <u>Public Awareness</u> | <u>Total Program Services</u> | <u>Management And General</u> | <u>Fundraising</u> | <u>2013 Total Expense</u> |
|---|-----------------------------|--|---------------------------|-------------------------|-------------------------------|-------------------------------|---------------------|---------------------------|
| Salaries | \$ 395,031 | \$ 222,178 | \$ 374,961 | \$ 85,336 | \$ 1,077,506 | \$ 63,861 | \$ 153,548 | \$ 1,294,915 |
| Benefits and related payroll expenses | <u>21,135</u> | <u>14,057</u> | <u>31,638</u> | <u>3,548</u> | <u>70,378</u> | <u>8,786</u> | <u>8,836</u> | <u>88,000</u> |
| Total salaries and related costs | 416,166 | 236,235 | 406,599 | 88,884 | 1,147,884 | 72,647 | 162,384 | 1,382,915 |
| Program grants/costs | | | | | | | | |
| Surgeries | - | - | 2,761,375 | - | 2,761,375 | - | - | 2,761,375 |
| Simulator Development | - | 5,303,445 | - | - | 5,303,445 | - | - | 5,303,445 |
| Donated professional services and office expenses | - | - | - | - | - | 47,090 | - | 47,090 |
| Professional services | 75,082 | 50,881 | 102,639 | 286,804 | 515,406 | 787,034 | 514,154 | 1,816,594 |
| Printing and postage | 3,222 | 1,871 | 4,210 | 899,488 | 908,791 | 1,169 | 1,599,428 | 2,509,388 |
| Travel and meetings | 48,894 | 24,212 | 114,112 | 12,593 | 199,811 | 6,754 | 16,645 | 223,210 |
| Office expenses | 42,080 | 29,427 | 65,513 | 8,772 | 145,792 | 17,533 | 19,292 | 182,617 |
| Advertising and promotion | - | - | - | 100,868 | 100,868 | - | 41,653 | 142,521 |
| IT and Web | 25,212 | 24,640 | 38,076 | 38,912 | 126,840 | 25,174 | 52,453 | 204,467 |
| Interest expense | 561 | 374 | 842 | 94 | 1,871 | 234 | 234 | 2,339 |
| Miscellaneous expense | 15,068 | 5,994 | 13,843 | 4,065 | 38,970 | 3,558 | 6,266 | 48,794 |
| Depreciation expense | <u>3,928</u> | <u>2,619</u> | <u>5,892</u> | <u>655</u> | <u>13,094</u> | <u>13,094</u> | <u>-</u> | <u>26,188</u> |
| Total expenses | <u>\$ 630,213</u> | <u>\$ 5,679,698</u> | <u>\$ 3,513,101</u> | <u>\$ 1,441,135</u> | <u>\$ 11,264,147</u> | <u>\$ 974,287</u> | <u>\$ 2,412,509</u> | <u>\$ 14,650,943</u> |

HelpMeSee, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2012

| | <u>Technical Assistance</u> | <u>Surgical Training And Quality Assurance</u> | <u>Cataract Surgeries</u> | <u>Public Awareness</u> | <u>Total Program Services</u> | <u>Management And General</u> | <u>Fundraising</u> | <u>2012 Total Expense</u> |
|---|-----------------------------|--|---------------------------|-------------------------|-------------------------------|-------------------------------|---------------------|---------------------------|
| Salaries | \$ 266,218 | \$ 125,985 | \$ 54,145 | \$ 18,686 | \$ 465,034 | \$ 90,242 | \$ 93,675 | \$ 648,951 |
| Benefits and related payroll expenses | <u>9,383</u> | <u>13,346</u> | <u>5,931</u> | <u>1,483</u> | <u>30,143</u> | <u>9,886</u> | <u>9,886</u> | <u>49,915</u> |
| Total salaries and related costs | 275,601 | 139,331 | 60,076 | 20,169 | 495,177 | 100,128 | 103,561 | 698,866 |
| Program grants | | | | | | | | |
| Surgeries | - | - | 1,103,425 | - | 1,103,425 | - | - | 1,103,425 |
| Surgical Practice Support Grants | 21,502 | - | - | - | 21,502 | - | - | 21,502 |
| Donated professional services and office expenses | 10,783 | 16,174 | 7,804 | 1,797 | 36,558 | 11,981 | 11,981 | 60,520 |
| Professional services | 25,091 | 26,874 | 139,721 | 1,169,980 | 1,361,666 | 16,707 | 795,023 | 2,173,396 |
| Printing and postage | 638 | 957 | 766 | 1,672,139 | 1,674,500 | 709 | 1,115,397 | 2,790,606 |
| Travel and meetings | 14,505 | 1,321 | 24,716 | 1,861 | 42,403 | 979 | 2,120 | 45,502 |
| Office expenses | 3,601 | 5,402 | 2,768 | 907 | 12,678 | 4,001 | 4,206 | 20,885 |
| Advertising and promotion | - | - | - | 5,589 | 5,589 | - | 3,726 | 9,315 |
| IT and Web | 7,513 | 12,086 | 6,172 | 13,781 | 39,552 | 8,347 | 16,700 | 64,599 |
| Interest expense | 421 | 631 | 281 | 70 | 1,403 | 468 | 468 | 2,339 |
| Miscellaneous expense | 3,582 | 5,373 | 3,394 | 1,038 | 13,387 | 3,980 | 4,274 | 21,641 |
| Depreciation expense | <u>2,377</u> | <u>3,566</u> | <u>1,585</u> | <u>396</u> | <u>7,924</u> | <u>2,641</u> | <u>2,641</u> | <u>13,206</u> |
| Total expenses | <u>\$ 365,614</u> | <u>\$ 211,715</u> | <u>\$ 1,350,708</u> | <u>\$ 2,887,727</u> | <u>\$ 4,815,764</u> | <u>\$ 149,941</u> | <u>\$ 2,060,097</u> | <u>\$ 7,025,802</u> |

HelpMeSee, Inc.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2013 And 2012

| | <u>2013</u> | <u>2012</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| <i>Change in net assets</i> | \$ (338,975) | \$ 2,219,318 |
| <i>Adjustments to reconcile change in net assets to Net cash provided by operating activities:</i> | | |
| Realized and unrealized (gain) loss on investments | (325,673) | (188,013) |
| Depreciation | 26,188 | 13,206 |
| Write-off of simulator costs | 844,875 | - |
| Contributions of donated stock | - | (2,701,889) |
| Increase in assets: | | |
| Prepaid expenses | (69,320) | (132,748) |
| Other assets | - | (18,120) |
| Accounts receivable | (29,088) | (5,542) |
| Pledges receivable | (9,082,645) | - |
| Increase in liabilities: | | |
| Accounts payable and accrued expenses | <u>1,547,300</u> | <u>345,651</u> |
| Net cash provided by operating activities | <u>(7,427,338)</u> | <u>(468,137)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | 1,934,393 | 1,969,712 |
| Purchase of furniture and equipment | <u>(95,919)</u> | <u>(1,040,393)</u> |
| Net cash used for investment activities | <u>1,838,474</u> | <u>929,319</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from line of credit | 4,000,000 | - |
| Proceeds from non-interest note | <u>-</u> | <u>3,000,000</u> |
| Net cash provided by financing activities | <u>4,000,000</u> | <u>3,000,000</u> |
| Net increase in cash and cash equivalents | (1,588,864) | 3,461,182 |
| CASH | | |
| Beginning of year | <u>4,016,272</u> | <u>555,090</u> |
| End of year | <u>\$ 2,427,408</u> | <u>\$ 4,016,272</u> |

HelpMeSee, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

(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 FINANCIAL STATEMENTS

December 31, 2013

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.

INVESTMENTS

Investments in equity securities with readily determinable fair market values are reported at fair market values with realized and unrealized gains and losses included in the statement of activities. Investments comprise donated securities not sold, but are being held until cash is required for operations, as determined by the Board of Directors.

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 five 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.

CONTRIBUTIONS

Unrestricted contributions receivable are 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.

Office space for the New York, New York office and office space and furniture for the Denver, Colorado office were donated to the Organization as well as donated legal and other services. The estimated fair value of these donations is \$47,090 and \$61,977 for the years ended December 31, 2013 and 2012, respectively. Donated office space for the New York office ended in November 2012, while donated office space for the Denver office ended in July 2012. These items are reflected as Contributions In-Kind in the accompanying statement of activities and changes in net assets.

All outstanding pledges at December 31, 2013 are expected to be collected within one year.

HelpMeSee, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2013

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:

Unrestricted net assets – Unrestricted net assets include the net assets that are associated with the principal mission of the Organization.

Temporarily restricted net assets – Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met. When a donor restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “*net assets released from restriction.*”

FUNCTIONAL EXPENSES

Functional expenses which are not specifically attributable to program service or supporting services are allocated based on estimates determined by management.

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 year 2012 or expected to be taken on the Organization's 2013 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

(2) INVESTMENTS

Investments at December 31, 2012 are summarized as follows:

| | <u>2012</u> | |
|--------|--------------------|--------------------|
| | <u>Cost</u> | <u>Market</u> |
| Stocks | <u>\$1,552,994</u> | <u>\$1,608,720</u> |

Investments at December 31, 2013 and 2012 had unrealized losses gains/(losses) \$0 and \$55,726, respectively.

Investment income is comprised of the following:

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|
| Unrealized gain (loss), beginning of year | \$ 55,726 | \$ (3,420) |
| Unrealized gain (loss), end of year | <u>-</u> | <u>55,726</u> |
| Unrealized gain (loss) | (55,726) | 59,146 |
| Realized gain | 381,399 | 128,867 |
| Interest income | <u>2,041</u> | <u>75</u> |
| Total investment income | <u>\$ 327,714</u> | <u>\$ 188,088</u> |

HelpMeSee, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2013

The Organization utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish 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 Organization's investments as of December 31, 2012 is as follows:

| <u>Investments</u> | <u>2012</u> | | | |
|--------------------|--------------------|------------------|----------------|----------------|
| | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Stocks | <u>\$1,608,720</u> | <u>\$160,720</u> | <u>\$ -</u> | <u>\$ -</u> |

There were no transfers between Level 1 and 2 during the year ended December 31, 2013.

(3) FURNITURE, EQUIPMENT AND CAPITAL EXPENSES

At December 31, 2013, furniture and equipment consists of the following:

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|---------------------|
| Office furniture | \$ 23,210 | \$ 16,720 |
| Office equipment | 54,528 | 44,883 |
| Computers | <u>19,108</u> | <u>-</u> |
| | 96,846 | 61,603 |
| Less: accumulated depreciation and amortization | <u>43,228</u> | <u>17,040</u> |
| | <u>53,618</u> | <u>44,563</u> |
| Development | | |
| Simulator | - | 844,875 |
| Courseware | <u>572,509</u> | <u>511,833</u> |
| | <u>572,509</u> | <u>1,356,708</u> |
| | <u>\$ 626,127</u> | <u>\$ 1,401,271</u> |

Depreciation expense for the years ended December 31, 2013 and 2012 totaled \$26,188 and \$13,206, respectively.

HelpMeSee, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2013

The Organization is designing, developing and manufacturing 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

This is combined with Instructor Based Training (IBT), Computer Based Training (CBT) and Simulator Based Training (SBT) instructional curriculum and learning management systems.

During 2013 and 2012, the Organization 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.

Research and development costs related to the design, development and production of the prototype model are being expensed as incurred. Research and development costs of \$5,303,445 were expensed in 2013, of which \$4,458,570 were in incurred in 2013 and \$844,875 were incurred and capitalized in years prior to 2013.

(4) LINE-OF-CREDIT

In 2010, the Organization received a line-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 line-of-credit is \$5,000,000. The line-of-credit has an interest rate equal to .41%, with all interest and principal due to be paid upon written notice of the lender (*See Note 7*). As of December 31, 2013 and 2012, the Organization had drawn down \$4,610,000 and \$610,000, respectively, of the funds available. The outstanding balance under the line-of-credit was repaid in January 2014. The total amount available under the line-of-credit continues to be \$5,000,000.

The Organization incurred interest expense of \$2,338 and \$2,338 for the years ended December 31, 2013 and 2012, respectively.

(5) NON-INTEREST NOTE PAYABLE

In connection with the Organization's objective to train many thousands of cataract specialists in manual small incision cataract surgery (MSICS), on September 12, 2012, the Bill & Melinda Gates Foundation ("*Foundation*") and the Organization entered into a program related investment agreement for up to \$12 million. Under the terms of the agreement, HelpMeSee drew down \$3,000,000 in 2012. The terms of the agreement also require the Organization to reach specific milestones by specific dates, in order to continue the annual drawdowns. The Ueltschi Foundation has matched the draw down from the Bill & Melinda Gates Foundation based on the pre-agreed formula

HelpMeSee, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2013

(6) NET ASSETS

Two donors had previously pledged to match all individual contributions received by the Organization so that the contributions received from individuals could be used directly to pay for cataract surgeries. This matching concept ended with the February 2013 appeals. As a result, contributions received through the February 2013 appeals from individuals were exclusively used for cataract surgeries. Contributions received subsequently are used to support all operations of the Organization. At December 31, 2012, \$1,830,110 had been designated for future surgeries, and were used in 2013 for cataract surgeries.

HelpMeSee surgical partners performed 74,558 surgeries in 2013 and 29,134 in 2012. 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.

(7) CONTRIBUTIONS

For the years ended December 31, 2013 and 2012, the Organization received contributions, including outstanding pledges of \$9,000,000 at December 31, 2013, from two foundations in the amount of \$11,018,850 and \$5,904,889, respectively, which represents 77% and 64% of the Organization's total revenue. These two foundations also have provided the Organization with a line-of-credit (*See Note 4*).

The Organization has embarked on a joint fundraising campaign with HelpAge India for elimination of blindness due to cataracts in India. As of December 31, 2013, the Organization received \$82,645 from HelpAge India. The funds raised are disbursed to partners to perform cataract surgeries.

(8) JOINT COSTS

For the years ended December 31, 2013 and 2012, the Organization incurred joint costs of \$2,928,472 and \$4,925,394, respectively, for informational materials and activities that included fund-raising appeals. For the year ended December 31, 2013 and 2012, these joint costs were allocated as follows:

| | <u>2013</u> | <u>2012</u> |
|------------------|---------------------|---------------------|
| Fundraising | \$ 1,874,222 | \$ 1,970,158 |
| Public Awareness | <u>1,054,250</u> | <u>2,955,236</u> |
| | <u>\$ 2,928,472</u> | <u>\$ 4,925,394</u> |

(9) LEASE COMMITMENTS

The Organization entered into a lease agreement for office space in New York, New York under an operating lease from November 22, 2012 through February 21, 2018. The Organization has an option to cancel the lease any time after the second year of full rent payment, subject to a payment for the landlord's unamortized expenses. The Organization incurred no rent expense prior to December 2012, as all office space was donated.

Future minimum rental commitments under this lease are as follows:

| <u>Fiscal Year</u> | <u>Amount</u> |
|--------------------|-------------------|
| 2014 | \$ 110,900 |
| 2015 | 113,700 |
| 2016 | 116,500 |
| 2017 | 119,400 |
| 2018 | <u>20,400</u> |
| | <u>\$ 480,900</u> |

HelpMeSee, Inc.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2013

(10) CONTINGENCY

The Organization had a fundraising agreement with an organization which provided direct mail appeal services. The Organization terminated the agreement as a result of the service provider being in breach of certain provisions of the agreement. The service provider had filed for a “Demand for Arbitration” seeking remedy for early termination. Management is of the opinion that the claim for any damages is without merit and will defend vigorously and pursue the claimant for amounts owed to the organization. The arbitration is currently in progress and the outcome is uncertain at this time.

(11) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, April 11, 2014, have been evaluated in the preparation of the financial statements.