

**VISIONSPRING, INC.**  
**(a Not-for-Profit Organization)**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**  
**(WITH COMPARATIVE TOTALS FOR 2009)**

**VISIONSPRING, INC.**  
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**December 31, 2010**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
VisionSpring, Inc.

We have audited the accompanying statement of financial position of VisionSpring, Inc. (a not-for-profit organization) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of VisionSpring, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from VisionSpring, Inc.'s 2009 financial statements and, in our report dated August 27, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VisionSpring, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*MBAF-ERE CPAs, LLC*  
New York, NY  
November 1, 2011

**VISIONSPRING, INC.**  
(a Not-for-Profit Organization)

**STATEMENT OF FINANCIAL POSITION**

<b>December 31, 2010</b> <b>(With comparative totals for December 31, 2009)</b>	<b>2010</b>	<b>2009</b>
<b>Assets:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 692,887	\$ 527,748
Contributions and grants receivable, current portion	247,605	823,417
Accounts receivable	116,493	25,363
Inventory	62,301	-
Prepaid expenses	83,864	48,694
	1,203,150	1,425,222
Contributions and grants receivable, less current portion	222,233	329,547
Property and equipment, net	61,699	51,186
Other assets	11,100	10,000
<b>Total Assets</b>	<b>\$ 1,498,182</b>	<b>\$ 1,815,955</b>
<b>Liabilities and Net Assets:</b>		
<b>Current Liabilities:</b>		
Cash overdraft	\$ 5,163	\$ -
Accounts payable and accrued expenses	135,955	68,088
Loans payable, current portion	44,186	32,560
	185,304	100,648
Loans payable, less current portion	-	44,184
<b>Total Liabilities</b>	<b>185,304</b>	<b>144,832</b>
<b>Net Assets:</b>		
Unrestricted	70,618	70,618
Temporarily restricted	1,242,260	1,600,505
<b>Total Net Assets</b>	<b>1,312,878</b>	<b>1,671,123</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,498,182</b>	<b>\$ 1,815,955</b>

The accompanying notes are an integral part of these financial statements.

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**STATEMENT OF ACTIVITIES**

Year ended December 31, 2010 (with comparative totals for December 31, 2009)	Temporarily		2010	2009
	Unrestricted	Restricted		
Revenues and support:				
SEGUE contributions	\$ 355,198	\$ -	\$ 355,198	\$ 1,356,810
Contributions and grants	715,350	152,447	867,797	918,029
Contributions and grants, in-kind	108,782	-	108,782	130,797
Earned income	211,771	-	211,771	191,894
Interest income	1,435	-	1,435	3,163
Other income	8,263	-	8,263	3,883
Satisfaction of program restrictions	510,692	(510,692)	-	-
<b>Total revenues and support</b>	<b>1,911,491</b>	<b>(358,245)</b>	<b>1,553,246</b>	<b>2,604,576</b>
Expenses:				
Program	1,109,051	-	1,109,051	915,996
Management and general	430,263	-	430,263	532,667
Fundraising	372,177	-	372,177	276,781
<b>Total expenses</b>	<b>1,911,491</b>	<b>-</b>	<b>1,911,491</b>	<b>1,725,444</b>
Change in net assets	-	(358,245)	(358,245)	879,132
Net assets - beginning of year	70,618	1,600,505	1,671,123	791,991
<b>Net assets - end of year</b>	<b>\$ 70,618</b>	<b>\$ 1,242,260</b>	<b>\$ 1,312,878</b>	<b>\$ 1,671,123</b>

The accompanying notes are an integral part of these financial statements.

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**STATEMENT OF FUNCTIONAL EXPENSES**

Year ended December 31, 2010 (with comparative totals for December 31, 2009)

	Program						Management and General	Fundraising	2010 Total	2009 Total
	India	El Salvador	Bangladesh	Franchise Partners	Distributor/Wholesale	Total Program				
Grants expenses	\$ 254,677	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 254,677	\$ 322,013
Compensation	49,440	121,452	33,502	29,715	31,929	174,504	183,418	623,960	499,135	
Payroll taxes and benefits	3,308	10,285	3,308	2,934	3,153	17,235	18,113	58,336	51,332	
Insurance	2,183	7,168	2,183	1,936	2,080	11,370	11,950	38,870	24,413	
Glasses	-	114,680	116,121	30,940	743	262,484	-	262,484	156,182	
Freight & shipping	-	9,773	4,100	6,184	255	20,312	-	20,312	13,715	
Professional fees	-	4,601	-	-	-	4,601	-	117,375	174,646	
Subcontractors	15,248	5,765	15,795	57,398	2,788	39,061	38,540	174,595	175,324	
Professional development and training	69	197	69	61	66	357	377	1,196	55,277	
Rent	3,399	9,747	3,399	3,014	3,239	18,439	18,607	59,844	45,311	
Depreciation	845	4,744	845	749	805	4,399	4,625	17,012	10,660	
Travel	5,752	17,597	12,758	4,448	4,731	21,528	26,016	92,830	67,440	
Marketing and advertising	284	3,109	284	273	271	2,066	41,510	47,797	25,558	
Printing	52	149	52	46	49	270	284	902	2,326	
Postage	805	507	177	157	169	921	968	3,704	1,786	
Telephone	755	10,327	755	670	720	3,935	4,136	21,298	12,670	
IT network expenses	2,562	7,348	2,562	2,273	2,442	13,396	14,027	44,610	31,327	
Office	429	17,404	429	381	409	2,272	2,351	23,675	6,011	
Repairs and maintenance	435	13,105	435	386	414	2,763	2,380	19,918	12,794	
Meals and entertainment	183	524	183	162	174	952	1,001	3,179	6,141	
Taxes	-	6,536	-	-	-	6,536	-	6,536	1,952	
Interest expense	243	696	243	215	231	1,267	1,328	4,223	6,242	
Dues and subscriptions	290	833	290	258	277	1,882	1,590	5,420	10,824	
Miscellaneous	167	6,269	167	148	159	872	956	8,738	4,708	
Bad debt expense	-	-	-	-	-	-	-	-	7,657	
	\$ 341,126	\$ 372,816	\$ 197,657	\$ 142,348	\$ 55,104	\$ 1,109,051	\$ 372,177	\$ 1,911,491	\$ 1,725,444	

The accompanying notes are an integral part of these financial statements.

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**STATEMENT OF CASH FLOWS**

**Year ended December 31, 2010**

**(With comparative totals for December 31, 2009)**

	2010	2009
Cash Flows From Operating Activities:		
Change in net assets	\$ (358,245)	\$ 879,132
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	17,012	10,660
Changes in operating assets and liabilities:		
Contributions and grants receivable	683,126	18,259
Accounts receivable	(91,130)	(792,227)
Inventory	(62,301)	-
Prepaid expenses	(35,170)	(44,087)
Security deposits	(1,100)	(5,900)
Cash overdraft	5,163	-
Accounts payable and accrued expenses	67,867	(89,444)
<b>Net cash provided by (used in) operating activities</b>	<b>225,222</b>	<b>(23,607)</b>
Cash Flows From Investing Activities:		
Purchase of equipment	(27,525)	(35,990)
<b>Net cash used in investing activities</b>	<b>(27,525)</b>	<b>(35,990)</b>
Cash Flows From Financing Activities:		
Principal payments on secured note	(32,558)	(23,256)
<b>Net cash used in financing activities</b>	<b>(32,558)</b>	<b>(23,256)</b>
Net increase (decrease) in cash and cash equivalents	165,139	(82,853)
Cash and cash equivalents - beginning of year	527,748	610,601
<b>Cash and cash equivalents - end of year</b>	<b>\$ 692,887</b>	<b>\$ 527,748</b>

**Supplemental Disclosures of Cash Flow Information:**

Cash paid during the year for:

Interest	\$ 4,223	\$ 5,358
Income taxes	\$ 6,536	\$ 1,952

The accompanying notes are an integral part of these financial statements.

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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010**

**1. ORGANIZATION  
AND SIGNIFICANT  
ACCOUNTING  
POLICIES:**

Organization

VisionSpring, Inc., ("the Organization") is a not-for-profit organization organized on October 29, 2001. The Organization was established to provide access to eyewear products and services to help those in the developing world achieve their full potential. The Organization supports programs that sell and distribute eyeglasses and eye care products around the world. The Organization also trains local people in countries like Bangladesh, India, El Salvador and several other countries to sell eyeglasses through local partnerships. The Organization's vision is to create and scale innovative eyewear distribution models. This is done by segmenting the Organization's business into the following operations:

El Salvador – VisionSpring is conducting programs and operations in El Salvador on its own and the results of those operations are included in these financial statements. In El Salvador, the Organization provides eyeglasses and eyewear products through optical shops, as well as vision campaigns in rural areas of the country. In 2011, kiosks will be added as satellite hubs for the Organization's main optical shops.

India – In India, VisionSpring supports programs by making grants to VisionSpring India, a separate non-profit entity registered in India, which carries out programs on its behalf. In India, eyeglasses and eyewear products are distributed through mobile van operations in rural areas.

BRAC – In 2008, VisionSpring partnered with BRAC, the world's largest NGO, to distribute eyeglasses through BRAC's extensive network of Shastho Shebikas (or community health workers in Bangladesh). These workers are trained to recognize and treat the most common illnesses in the region as well as sell health products and reach nearly 80% of Bangladeshi villages. BRAC's deep local infrastructure helps VisionSpring to rapidly reach the rural poor, while VisionSpring's eyeglasses provides a critical additional income stream to BRAC's volunteer community health workers.

Wholesale/Distribution - VisionSpring supports programs in Guatemala, Paraguay, South Africa, and several other countries by collaborating closely with local partner organizations and training them to sell eyeglasses and eyewear products.

Fundraising/HQ-NY - Fundraising is solely responsible for raising funds to help support VisionSpring's operations and media relations services. HQ-NY includes finance and administration functions as well as a President who oversees VisionSpring global operations.

Tax Status

The Organization was granted tax exempt status in 2002 under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.



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Income Taxes

The accounting standard for uncertainty in income taxes prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

In assessing the realizability of tax benefits, management considers whether it is more likely than not that some portion or all of any tax position will not be realized. The ultimate realization of such tax positions is dependent upon the generation of future income. Management considers projected future income, and tax planning strategies in making this assessment. Based upon the level of historical income and projections for future income, management believes it is more likely than not that the Organization will realize all tax benefits.

The Organization classifies interest on underpayments of income tax as "Interest Expense," and classifies penalties in connection with underpayments of tax as "Other Expense."

The Organization does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the fiscal year ended December 31, 2010. However, the Organization is subject to audit by tax authorities. The Organization believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. Management believes that its nonprofit status would be sustained upon examination.

The Organization files income tax returns in the United States federal and New York state jurisdictions. The Organization is no longer subject to income tax examinations for New York state income taxes or United States federal income taxes before 2007.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The classification of an organization's net assets and its support, revenues and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These three classes are defined as follows:

Permanently Restricted – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

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Temporarily Restricted – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported as such in the statement of activities and changes in net assets. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash includes dollar denominated money market funds.

Contributions and Grants Receivable

Contributions receivable represent unconditional promises to give by donors. Contributions that are expected to be collected within one year are recorded at net realizable value. Contributions due greater than one year are discounted. The Organization uses the allowance method to determine uncollectible grants, contacts and contributions receivable. The allowance is based on historical experience and management's analysis of the current status of amounts receivable. Receivables are charged to expense when they are determined to be uncollectible. No allowance for doubtful accounts has been made in the accompanying financial statements since all receivables are considered collectible. Contributions restricted for use in future periods are recorded as temporarily restricted.

Inventory

Inventory consists of both the portion of donated goods recorded at the value placed by the donors on the date of donation and the purchase price of goods acquired by the Organization. Inventory is stated at the lower of cost or market, with cost being determined by the first-in, first-out method.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Property and equipment are being depreciated in accordance with the accelerated and straight-line methods over their estimated useful lives. Amortization of leasehold improvements is computed principally by the straight-line method over the terms of the related leases or the useful life, whichever is shorter. The Organization has established a \$1,000 threshold above which assets are capitalized. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

The Organization follows the provisions of the fair value measurements standard for certain non-financial assets and liabilities. Under this standard, the entity reviews long-lived assets to determine whether there has been any permanent impairment whenever

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events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the entity recognizes an impairment loss. No impairment losses were recognized for the years ended December 31, 2010 and 2009.

Revenue and Support

The Organization is supported primarily from contributions, grants and donated services made by commercial entities and foundations. In-kind contributions are recorded at their fair market values determined by their donors in the period received. In addition, the Organization earns income from selling eye glasses in El Salvador.

Non-Cash Contributions

Contributions received in the form of marketable securities are sold upon receipt and recorded at realized amounts. Other non-cash contributions are recorded at fair market values prevailing when received.

Advertising Costs

Advertising production costs are expensed as incurred. Advertising production costs for 2010 and 2009 totaled \$1,800 and \$10,364, respectively.

Functional Allocation of Expenses

Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications based upon benefits received.

Use of Estimates

Preparing the Organization's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated events through November 1, 2011 which is the date the financial statements were available to be issued.

Comparative Financial Information

The statement of activities includes prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

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**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010

**2. CONTRIBUTIONS AND GRANTS RECEIVABLE:**

Contributions and grants receivable have been recorded at present values at December 31, 2010 and 2009. Receivables due in more than one year have been discounted to present values using the borrowing rate of the Organization. Contributions and grants receivable consist of the following:

December 31,	2010	2009
Contributions and grants receivable	\$ 495,605	\$ 1,173,417
Less: Discount to present value	(25,767)	(20,453)
	<u>\$ 469,838</u>	<u>\$ 1,152,964</u>

Amounts due in:		
Less than one year	\$ 247,605	\$ 823,417
More than one year	222,233	329,547
	<u>\$ 469,838</u>	<u>\$ 1,152,964</u>

**3. INVENTORY:**

Inventory consists of the following as of December 31:

	2010	2009
Donated Frames	\$ 62,301	\$ 0
Total	<u>\$ 62,301</u>	<u>\$ 0</u>

**4. PROPERTY AND EQUIPMENT:**

Property and equipment consists of the following:

December 31,	2010	2009	Estimated Useful Life
Machinery and equipment	\$ 80,267	\$ 52,742	5 Years
Furniture and fixtures	20,802	20,802	5 Years
Leasehold improvements	2,523	2,523	5 Years
	103,592	76,067	
Less: Accumulated depreciation	(41,893)	(24,881)	
	<u>\$ 61,699</u>	<u>\$ 51,186</u>	

Depreciation expense for the years ended December 31, 2010 and 2009 was \$17,012 and \$10,660, respectively.

**5. LOANS PAYABLE:**

In 2006, the Organization entered into a Senior Secured Note Payable Agreement with Acumen Fund, Inc., a non-profit corporation organized under the laws of New York, in connection with its programs in India. This agreement calls for a \$100,000 note which bears interest of 6% per annum with a maturity date of December 31, 2011. Interest on this note shall be payable on the last calendar day of each quarter. Principal repayments started in 2009. The note is secured by equipment located in the Organization's New York office.

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The principal repayments on this note as of December 31, 2010 are as follows:

Year ending December 31,	
2011	\$ 44,186
	\$ 44,186

**6. IN-KIND CONTRIBUTIONS:**

In-kind contributions are reflected as revenue and expensed in the accompanying statement of activities at their fair market values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. In 2010 and 2009, donated legal services of \$41,708 and \$130,797, respectively, have been received. In addition, in 2010, the Organization also received donated frames from various companies totaling \$67,074. These in-kind items have been reflected in the financial statements as in-kind contributions.

**7. TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets are purpose and time restricted and consist of the following:

December 31,	2010	2009
SEGUE	\$ 850,107	\$ 1,245,799
India	25,000	25,000
BRAC/Bangladesh	232,111	314,706
Wholesale/Distribution	135,042	15,000
Time Restriction	-	-
	\$ 1,242,260	\$ 1,600,505

Summary of Activities:

Year ended December 31, 2010	Total	Time Restriction	Purpose Restriction
Temporarily restricted net assets, beginning of year	\$ 1,600,505	\$ -	\$ 1,600,505
Restricted contributions and grants received	152,447	-	152,447
Less: Satisfaction of restrictions	(510,692)	-	(510,692)
Temporarily restricted net assets, end of year	\$ 1,242,260	\$ -	\$ 1,242,260

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**NOTES TO FINANCIAL STATEMENTS**  
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Year ended December 31, 2009	Total	Time Restriction	Purpose Restriction
Temporarily restricted net assets, beginning of year	\$ 721,373	\$ 100,000	\$ 621,373
Restricted contributions and grants received	1,079,007	-	1,079,007
Less: Satisfaction of restrictions	(199,875)	(100,000)	(99,875)
Temporarily restricted net assets, end of year	\$ 1,600,505	-	\$ 1,600,505

**8. SEGUE CONTRIBUTIONS:**

For the year ended December 31, 2010 and 2009, the Organization raised \$355,198 and \$1,356,810, respectively, as Sustainable Enhancement Grant (SEGUE) investments. These funds were raised from philanthropic investors providing equity-like capital necessary to meet the Organization's Phase II Growth plan for the years 2009 through 2012. The use of SEGUE proceeds is, until December 31, 2012, restricted towards achieving a positive change in unrestricted net assets.

The purpose of this offering is to expand and enhance the Organization's capacity to reduce poverty and generate opportunity in the developing world through the sale of affordable reading glasses, and to build a sustainable enterprise capable of delivering that mission in perpetuity.

**9. COMMITMENTS:**

In August 2009, the Organization entered into a five year non-cancelable lease for office space. The Organization's future rental commitments consist of the following:

Year	
2011	\$ 46,745
2012	47,679
2013	48,633
2014	37,019
	\$ 180,076

Rent expense was \$45,732 for the year ended December 31, 2010.

**10. EMPLOYEES' RETIREMENT PLAN:**

The Organization maintains a defined contribution 401(k) Plan for all employees, with the Organization matching 100% of up to 4% of compensation. Employee contributions are fully vested upon contribution.

For the years ended December 31, 2010 and 2009, the Organization contributed towards employees' retirement plans totaling \$15,242 and \$10,130, respectively.

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**11. CONCENTRATION  
OF CREDIT RISK:**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 through 2013.

As of December 31, 2010 and 2009, approximately 56% and 68% of the Organization's contributions were derived from four donors, respectively. In addition, as of December 31, 2010 and 2009, approximately 98% and 83% of the contributions receivable were derived from four donors, respectively.

As of December 31, 2010 and 2009, approximately 76% and 72% of accounts payable were derived from one vendor and two vendors, respectively.