

FOUNDATION FIGHTING BLINDNESS

FOUNDATION FIGHTING BLINDNESS, INC. AND AFFILIATES

Consolidated Financial Statements and Supplemental Information

For the Years Ended June 30, 2021 and 2020



and
Report Thereon



**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**TABLE OF CONTENTS
For the Years Ended June 30, 2021 and 2020**

	<i>Page</i>
Independent Auditor's Report	1-2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities.....	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-41
Supplemental Information	
Consolidating Statement of Financial Position	42



RSM US LLP

Independent Auditor's Report

Board of Directors
Foundation Fighting Blindness, Inc. and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Foundation Fighting Blindness, Inc. and Affiliates (collectively referred to as the Organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 audits. We conducted our audits 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 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 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 Foundation Fighting Blindness, Inc. and Affiliates as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental consolidating statement of financial position on page 42 is presented for purposes of additional analysis of the financial statements rather than to present the financial position of the individual entities, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

RSM US LLP

Baltimore, Maryland
November 8, 2021

Foundation Fighting Blindness, Inc. and Affiliates

Consolidated Statements of Financial Position
June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Cash and cash equivalents	\$ 21,307,611	\$ -	\$ 21,307,611	\$ 13,523,214	\$ -	\$ 13,523,214
Investments (Notes 2 and 11)	50,323,741	81,841,699	132,165,440	40,348,978	77,704,398	118,053,376
Notes receivable	1,000,000	-	1,000,000	500,000	-	500,000
Pledges receivable, less allowance and discounts (2021 - \$397,896; 2020 - \$1,281,926) (Notes 3 and 7)	1,236,985	12,436,167	13,673,152	552,242	27,863,301	28,415,543
Prepaid expenses and other assets	2,814,439	28,969	2,843,408	1,568,995	26,816	1,595,811
Beneficial interests in remainder trusts (Notes 4 and 11)	-	7,816,076	7,816,076	-	6,341,473	6,341,473
Charitable gift annuity investments and reserves (Note 4)	888,072	-	888,072	951,558	-	951,558
Property, plant and equipment, net (Note 5)	949,248	-	949,248	1,153,839	-	1,153,839
Total assets	\$ 78,520,096	\$ 102,122,911	\$ 180,643,007	\$ 58,598,826	\$ 111,935,988	\$ 170,534,814
Liabilities and Net Assets						
Liabilities						
Accounts payable and accrued expenses	\$ 1,823,540	\$ 8,444	\$ 1,831,984	\$ 1,185,535	\$ 8,267	\$ 1,193,802
Grants payable	11,728,046	-	11,728,046	11,654,636	-	11,654,636
Deferred revenue	265,681	-	265,681	17,450	-	17,450
Deferred rent and construction allowance (Note 6)	12,485	-	12,485	49,038	-	49,038
Paycheck Protection Program promissory note (Note 6)	1,093,127	-	1,093,127	1,062,123	-	1,062,123
Charitable gift annuity obligation (Note 11)	617,921	-	617,921	687,817	-	687,817
Total liabilities	15,540,800	8,444	15,549,244	14,656,599	8,267	14,664,866
Commitments (Notes 2, 6 and 10)						
Net assets						
Net assets without donor restrictions:						
Internally designated for reserves	7,411,000	-	7,411,000	7,100,000	-	7,100,000
Internally designated for research	32,571,192	-	32,571,192	14,424,209	-	14,424,209
Internally designated for RD Fund	22,047,856	-	22,047,856	21,264,179	-	21,264,179
Represented by fixed assets	949,248	-	949,248	1,153,839	-	1,153,839
Total net assets without donor restrictions	62,979,296	-	62,979,296	43,942,227	-	43,942,227
Net assets with donor restrictions (Note 8)	-	62,637,361	62,637,361	-	69,412,828	69,412,828
Net assets with donor restrictions - RD fund (Note 8)	-	35,276,584	35,276,584	-	39,092,519	39,092,519
Net assets with donor restrictions - endowments (Note 8)	-	4,200,522	4,200,522	-	3,422,374	3,422,374
Total net assets with donor restrictions (Notes 5, 8 and 12)	-	102,114,467	102,114,467	-	111,927,721	111,927,721
Total net assets	62,979,296	102,114,467	165,093,763	43,942,227	111,927,721	155,869,948
Total liabilities and net assets	\$ 78,520,096	\$ 102,122,911	\$ 180,643,007	\$ 58,598,826	\$ 111,935,988	\$ 170,534,814

See notes to consolidated financial statements.

Foundation Fighting Blindness, Inc. and Affiliates

Consolidated Statements of Activities Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Public support: (Note 7)						
Contributions from individuals, corporations and foundations	\$ 4,993,815	\$ 12,480,000	\$ 17,473,815	\$ 5,243,500	\$ 19,735,856	\$ 24,979,356
Special event revenue	100,200	-	100,200	258,089	-	258,089
Special event contributions	4,900,675	148,564	5,049,239	5,537,053	-	5,537,053
Less special event direct benefit costs	(408,395)	-	(408,395)	(561,197)	-	(561,197)
Special events, net	4,592,480	148,564	4,741,044	5,233,945	-	5,233,945
Planned giving	2,468,851	1,529,059	3,997,910	1,366,322	(144,218)	1,222,104
Allocated by federated fundraising organizations	155,508	2,605	158,113	151,790	4,811	156,601
Contributed goods and services	255,289	-	255,289	144,868	-	144,868
Total public support	12,465,943	14,160,228	26,626,171	12,140,425	19,596,449	31,736,874
Other revenue (loss):						
Program service (refunds) fees	(25,000)	-	(25,000)	125,525	-	125,525
Investment income, net (Note 2)	11,961,449	939,020	12,900,469	2,562,179	137,702	2,699,881
Contract revenue	171,478	1,840	173,318	114,437	-	114,437
Research patent revenue	46,955	-	46,955	29,695	-	29,695
Other income	33,049	-	33,049	32,544	-	32,544
Forgiveness of Paycheck Protection Program promissory note (Note 6)	1,062,123	-	1,062,123	-	-	-
Net assets released from restrictions:						
Satisfaction of time and program restrictions (Note 8)	24,914,342	(24,914,342)	-	20,726,392	(20,726,392)	-
Total revenue and support	50,630,339	(9,813,254)	40,817,085	35,731,197	(992,241)	34,738,956
Expenses:						
Program services:						
Research	21,377,288	-	21,377,288	20,908,623	-	20,908,623
Public health education	1,682,983	-	1,682,983	1,729,765	-	1,729,765
Total program services	23,060,271	-	23,060,271	22,638,388	-	22,638,388
Supporting services:						
Management and general	2,697,020	-	2,697,020	1,959,067	-	1,959,067
Fundraising	5,835,979	-	5,835,979	7,235,291	-	7,235,291
Total supporting services	8,532,999	-	8,532,999	9,194,358	-	9,194,358
Total expenses	31,593,270	-	31,593,270	31,832,746	-	31,832,746
Change in net assets	19,037,069	(9,813,254)	9,223,815	3,898,451	(992,241)	2,906,210
Net assets, beginning of year	43,942,227	111,927,721	155,869,948	40,043,776	112,919,962	152,963,738
Net assets, end of year	\$ 62,979,296	\$ 102,114,467	\$ 165,093,763	\$ 43,942,227	\$ 111,927,721	\$ 155,869,948

See notes to consolidated financial statements.

Foundation Fighting Blindness, Inc. and Affiliates

Consolidated Statements of Functional Expenses
Years Ended June 30, 2021 and 2020

	2021							2020						
	Program Services			Supporting Services				Program Services			Supporting Services			
	Research	Public Health Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	Research	Public Health Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 1,940,041	\$ 750,235	\$ 2,690,276	\$ 1,432,318	\$ 2,352,987	\$ 3,785,305	\$ 6,475,581	\$ 1,667,437	\$ 622,941	\$ 2,290,378	\$ 821,930	\$ 3,185,865	\$ 4,007,795	\$ 6,298,173
Employee benefits	209,798	111,716	321,514	192,655	385,056	577,711	899,225	207,009	97,058	304,067	137,269	511,591	648,860	952,927
Payroll taxes	103,458	55,037	158,495	90,670	167,234	257,904	416,399	96,967	47,343	144,310	55,276	226,496	281,772	426,082
Total salaries and related expenses	2,253,297	916,988	3,170,285	1,715,643	2,905,277	4,620,920	7,791,205	1,971,413	767,342	2,738,755	1,014,475	3,923,952	4,938,427	7,677,182
Professional fees	1,166,661	426,080	1,592,741	521,351	1,278,017	1,799,368	3,392,109	721,283	498,275	1,219,558	292,589	1,165,419	1,458,008	2,677,566
Printing and production	16,116	176,354	192,470	41,347	433,775	475,122	667,592	12,133	172,381	184,514	22,608	492,810	515,418	699,932
Travel	210	538	748	6,341	6,071	12,412	13,160	54,253	53,469	107,722	34,924	130,375	165,299	273,021
Conferences, meetings and events	7,878	5,531	13,409	5,113	55,138	60,251	73,660	53,255	105,436	158,691	108,266	177,763	286,029	444,720
Occupancy	42,556	22,687	65,243	71,264	322,624	393,888	459,131	105,980	56,445	162,425	128,094	438,256	566,350	728,775
Telecommunications	20,726	29,950	50,676	35,112	83,135	118,247	168,923	26,956	28,179	55,135	34,947	99,894	134,841	189,976
Supplies	29,483	27,479	56,962	82,294	289,686	371,980	428,942	15,549	7,272	22,821	105,939	335,797	441,736	464,557
Insurance	109,870	25,167	135,037	28,165	86,641	114,806	249,843	120,942	11,218	132,160	24,039	92,030	116,069	248,229
Depreciation and amortization	113,897	30,350	144,247	31,046	128,181	159,227	303,474	129,295	14,463	143,758	30,993	178,651	209,644	353,402
Postage	533	20,024	20,557	18,027	164,758	182,785	203,342	680	14,701	15,381	14,119	99,193	113,312	128,693
Bank charges, service fees and other	34,508	1,835	36,343	141,317	82,676	223,993	260,336	34,377	584	34,961	148,074	101,151	249,225	284,186
Total expenses before grants and clinical trial related costs	3,795,735	1,682,983	5,478,718	2,697,020	5,835,979	8,532,999	14,011,717	3,246,116	1,729,765	4,975,881	1,959,067	7,235,291	9,194,358	14,170,239
Grants and clinical trial related costs	17,581,553	-	17,581,553	-	-	-	17,581,553	17,662,507	-	17,662,507	-	-	-	17,662,507
Total expenses	\$ 21,377,288	\$ 1,682,983	\$ 23,060,271	\$ 2,697,020	\$ 5,835,979	\$ 8,532,999	31,593,270	\$ 20,908,623	\$ 1,729,765	\$ 22,638,388	\$ 1,959,067	\$ 7,235,291	\$ 9,194,358	31,832,746
Special event direct benefit costs							408,395							561,197
Total expenses and special event direct benefit costs							\$ 32,001,665							\$ 32,393,943

See notes to consolidated financial statements.

Foundation Fighting Blindness, Inc. and Affiliates

**Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020**

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 9,223,815	\$ 2,906,210
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(7,813,111)	(9,169)
(Gain) loss on equity method investment	(1,086,879)	2,282,154
Change in aggregate discount and allowance for doubtful pledges receivable	(884,030)	(170,418)
Change in value of split-interest agreements	(1,474,603)	194,810
Depreciation and amortization	303,474	353,402
Loss on disposal of property, plant, and equipment	-	2,386
Amortization of deferred construction allowance	12,892	77,351
Forgiveness of Paycheck Protection Program promissory note	(1,062,123)	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	15,626,421	(1,990,324)
Prepaid expenses and other assets	(1,247,597)	191,437
Increase (decrease) in:		
Accounts payable and accrued expenses	638,182	(396,169)
Grants payable	73,410	(2,325,996)
Deferred revenue	248,231	(298,907)
Deferred rent	(49,445)	(249,924)
Net cash provided by operating activities	12,508,637	566,843
Cash flows from investing activities:		
Purchase of investments	(50,093,049)	(48,810,602)
Proceeds from sales or maturities of investments	44,880,975	55,349,894
Advances on note receivable	(500,000)	-
Termination of split-interest agreement assets	44,865	8,237
Purchase of split-interest agreement assets	(4,394)	(58,679)
Proceeds from sales of split-interest agreement assets	83,971	92,276
Purchase of property, plant and equipment	(98,883)	(180,348)
Net cash (used in) provided by investing activities	(5,686,515)	6,400,778
Cash flows from financing activities:		
Liability related to charitable gift annuity	4,427	4,700
Payments to charitable gift annuity beneficiaries	(89,822)	(95,578)
Termination of charitable gift annuity	(45,457)	(8,237)
Proceeds from Paycheck Protection Program promissory note	1,093,127	1,062,123
Net cash provided by financing activities	962,275	963,008
Net increase in cash and cash equivalents	7,784,397	7,930,629
Cash and cash equivalents:		
Beginning of period	13,523,214	5,592,585
End of period	\$ 21,307,611	\$ 13,523,214

See notes to consolidated financial statements.

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

1. Organization and Summary of Significant Accounting Policies

Organization

Foundation Fighting Blindness, Inc. (the Foundation) is a national eye research foundation that raises money to fund translational and clinical research at prominent institutions in the United States of America and worldwide for the discovery of treatments, preventative methods and cures for retinal degenerative eye diseases, which include forms of retinitis pigmentosa, macular degeneration and Usher syndrome. The Foundation also serves as a source of information for professionals and affected families. Its principal programs include:

- Research – The Foundation funds a diverse portfolio of research projects in such areas as genetics and gene therapy, cell therapy and pharmaceuticals at prominent institutions, laboratories, hospitals and universities nationwide and around the world.

As a result of the successful Gordon and Llura Gund Family Challenge, the Foundation has a strong financial base to support the work that will determine the efficacy and safety of new therapies. The Foundation's Research Oversight Committee (ROC) evaluates the potential of current research into retinal degenerative diseases and related science in novel medical therapies, gene therapy, cell and molecular mechanisms, genetics, clinical retinal function and structure, and regenerative medicine. This committee of expert scientists formulated a strategic plan for the allocation of the Foundation's research funding from its existing assets and future fundraising. That plan calls for the Foundation's investment of approximately \$21 million per year for translational research and proof of concept research – the pre-clinical investigative work that can lead to Food and Drug Administration (FDA) approved clinical trials and, ultimately, FDA approved new treatments.

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

1. Organization and Summary of Significant Accounting Policies (continued)

Organization (continued)

Translational research is the pre-clinical work that “translates” laboratory discoveries to establish the potential benefit of a new therapy to patients. This research bridges “bench to bedside” and includes the full gamut of pre-clinical work that has to be accomplished successfully before testing in humans will be approved by the FDA. If this translational work is successful, human studies must then be done to demonstrate safety and then proof of concept (i.e., treatment efficacy) in humans. It is estimated that such pre-clinical work can cost upwards of \$1.5 million to \$2 million per project. The costs associated with treatment efficacy studies are much higher than they are to fund the initial discovery phase in the laboratory. For orphan or small market diseases, including retinal diseases, the financial risk of attempting to discover and bring new treatments to market must be reduced before venture capitalists and then biotechnology and pharmaceutical companies are willing to invest. The costs of conducting the FDA-approved clinical trials can only be met by such companies, as the cost of these trials far exceed even the costs of the pre-clinical work. It is here that the Foundation provides a critical bridge between the laboratory and the marketplace by funding the preliminary research and testing.

- Chatlos Public Health Education Program – The Foundation publishes a variety of print and online publications that provide information to the public about causes, treatments, cures and preventative methods for retinal degenerative diseases. The Foundation also hosts virtual and regional seminars focused on educating the public about retinal degenerative diseases and provides information relative to lifestyle issues and understanding of retinal diseases.

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

1. Organization and Summary of Significant Accounting Policies (continued)

Organization (continued)

The Foundation's national headquarters is located in Maryland with more than 40 volunteer-led groups across the United States dedicated to raising funds, increasing public awareness and providing support to their communities.

The Foundation's affiliates are as follows:

Foundation Fighting Blindness Retinal Degeneration Fund (The RD Fund), a supporting organization, of which the Foundation is the sole member, supports clinical projects and early stage clinical trials for retinal degenerative diseases.

Opus Genetics, Inc. (Opus Genetics), a for-profit company backed by the RD Fund, of which the Foundation is the sole member. Opus Genetics is a patient-focused gene therapy company focused on orphan inherited retinal diseases.

Macular Degeneration International, Inc. (MDI), an affiliated organization, is a nonprofit corporation organized under the laws of the state of Illinois. National Retinitis Pigmentosa Foundation, Inc. (NRPF), an affiliated organization, is a nonprofit corporation organized under the laws of the state of Maryland.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation, the RD Fund and Opus Genetics (collectively referred to as the Organization). All significant intercompany balances and transactions between entities have been eliminated in the consolidation. There was no financial activity for MDI and NRPF for the years ended June 30, 2021 and 2020.

Continued

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets

The Organization's consolidated financial statements report amounts separately by net asset class:

Net Assets Without Donor Restrictions – Net assets without donor restrictions represent revenues mainly derived from receiving contributions neither purpose nor time restricted by donor-imposed stipulations, less expenses incurred for public health education, research, including grants and trial related costs, raising contributions, and management support. These amounts are available for board designated purposes as follows:

Operating Reserve – Funds internally-designated by the Board of Directors representing approximately six months of operating expenses, exclusive of grants and clinical trial costs.

Research Opportunities – Funds internally-designated not otherwise needed for operating reserves or related to fixed assets. The purpose of the fund is to support a multi-year research plan as monitored by the ROC of the Board of Directors. The current plan projects an average research expense of \$21 million for the next five fiscal years, funded with existing restricted research funds, new fundraising results and the unrestricted Board designated – Research Opportunities Fund.

RD Fund – Funds internally-designated by the Board of Directors to support the projects of the RD Fund.

Fixed Assets – Funds invested in fixed assets.

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

1. Organization and Summary of Significant Accounting Policies (continued)

Net Assets With Donor Restrictions – Net assets with donor restrictions represent resources from contributions and other inflows of assets subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature that either expire with the passage of time or can be fulfilled and removed by the Organization's actions pursuant to those restrictions. Those contributions restricted to the research program are incorporated into the ROC five-year research plan. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity.

Unrealized and realized gains and losses and interest and dividends from investing in income-producing assets may be included in any of these net asset classifications depending on donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts held in checking accounts and money market funds not held for investment purposes.

Investments

Investments are composed of government mortgage-backed securities, certificates of deposit, equities, other fixed income investments, money market funds and cash held for investment purposes, and RD Fund program related investments.

Investments in government mortgage-backed securities, equities, other fixed income investments, and money market funds and cash held for investment purposes are recorded in the accompanying consolidated statements of financial position at fair value. Fair value is the price that

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

1. Organization and Summary of Significant Accounting Policies (continued)

Investments (continued)

would be received to sell an asset or paid to transfer a liability through an orderly transaction between market participants at the measurement date.

The certificates of deposit have original maturities of greater than three months. The certificates of deposit are recorded in the accompanying consolidated financial statements at amortized cost as of June 30th which approximates fair value. In accordance with guidance from the American Institute of Certified Public Accountants, management has determined that the certificates of deposit are not within the scope of the fair value measurements and disclosure topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Program related investments represent equity investments in for-profit entities that facilitate activities supported by the Organization. Program related investments are approved by the RD Fund Board of Directors and the Foundation's Board of Directors. The RD Fund uses the equity or cost methods of accounting for its program related investments depending on ownership percentage and whether significant influence can be asserted or not. The Organization uses cost method for nonmarketable equity securities because the fair value of cost-method investments is not readily determinable, and management has determined that the cost approximates fair value. The cost of program related investments accounted for under the equity method as of June 30, 2021 and 2020, was \$457,140 and \$3,663,173, respectively. The cost of program related investments accounted for under the cost method at June 30, 2021 and 2020, was \$21,049,822 and \$7,374,997, respectively. There was no allowance for these investments recorded as of June 30, 2021 or 2020.

Continued

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

1. Organization and Summary of Significant Accounting Policies (continued)

Notes Receivable

The notes receivable represents convertible promissory notes to an unrelated entity, principally for investment, \$500,000 of which matures in May 2023 and \$500,000 of which matures in September 2025. The notes are recorded at cost of \$1,000,000 and \$500,000 as of June 30, 2021 and 2020, respectively. The interest rate on the notes is 5%. Interest accrues annually and is paid upon maturity. The Organization can elect to convert the note and any accrued and unpaid interest into Class A Common Stock at any time.

Financial Risk

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level associated with the Organization's investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Property, Plant and Equipment

All property, plant and equipment is carried at cost and is depreciated or amortized on a straight-line basis over the following useful lives:

Research facility	11-23 years
Furniture and equipment	3-5 years
Leasehold improvements	Shorter of 3-10 years or lease term

Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs are expensed when incurred.

Continued

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

1. Organization and Summary of Significant Accounting Policies (continued)

Valuation of Long-Lived Assets

The Organization requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Grants

The Organization generally awards grants on an annual or milestone basis. Grants are expensed in the year in which the grant commitment is made to the grantee or the milestone has commenced when both barriers and a right of return are not present. Grants for renewal years are contingent upon satisfactory progress toward, or completion of, the grant's purpose, as well as funding availability.

As a result, renewal years are conditional and not recorded until the year in which the grant commitment is made to the grantee. As of June 30, 2021 and 2020, all grants payable were due within one year.

Revenue Recognition

Support and revenue – contributions: Unconditional contributions received, including grants and contracts deemed to be non-exchange transactions, are recorded as an increase in the appropriate net asset category. All contributions are considered available for unrestricted use, unless specifically restricted by the donor. Conditional contributions are those contributions that contain donor-imposed rights of refund/return and

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

barriers (performance obligations and/or controlling stipulations). Conditional contributions are recognized into revenue when conditions are satisfied and then follow the above policies for unconditional contributions. Conditional contributions received in advance of satisfying conditions are recorded as deferred revenue.

Contributions that are restricted by the donor for a specific time or purpose are reported as net assets with donor restrictions, based on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Bequests are recognized at the time an unassailable right to the gift has been established and the proceeds are measurable.

Unconditional promises to give (pledges) that are expected to be collected within one year are recorded at their net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a discount rate of 0.67% and 0.24% for the years ended June 30, 2021 and 2020, respectively. Amortization of the discount is included in contribution revenue in the accompanying consolidated statements of activities. Gross pledges are reduced in the initial year of the pledge by an estimated amount to reflect that the promise may not be completely fulfilled.

Subsequent assessments that pledges will not be collected are reflected as bad debt expenses or losses. Conditional contributions and pledges are not included as revenue until such time as the conditions are substantially met.

Continued

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Support and revenue – program: The Organization has entered into contracts and grant agreements with third parties who provide funding to the Organization in exchange for certain deliverables. These agreements are evaluated by the Organization to determine whether they meet criteria of exchange transactions in which commensurate value is received by the Organization and the funder, or they are non-reciprocal transactions. For exchange transactions, the Organization performs an evaluation at contract inception to determine whether performance obligations are satisfied over time or at a point in time. For agreements in which performance obligations are met over time, the related revenue is recognized when the Organization is able to reasonably measure progress toward complete satisfaction of the performance obligation using reliable information. If these criteria are not met, the revenue is recognized at a point in time when performance obligations have been satisfied. Revenue recognition on contracts and grants deemed to be non-reciprocal transactions will follow contribution accounting as described above.

Research patent payments received in advance are deferred until earned and shown as part of deferred revenue in the consolidated statements of financial position.

Special event fees received in advance are included in deferred revenue and are recognized during the year in which the event is held.

Contributed Goods and Services

In accordance with FASB ASC Topic, Not-for-Profit Entities, only the value of contributed services that are considered specialized and can be estimated are reflected in these consolidated financial statements. Contributed goods and services are reported in the consolidated statements of activities at the fair value of the goods and services received. Contributed services primarily include donated legal services. Contributed goods primarily include items donated for use at fundraising events and are

Continued

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

1. Organization and Summary of Significant Accounting Policies (continued)

Contributed Goods and Services (continued)

included in special events revenue in the consolidated statements of activities. In addition, services have been provided to the Organization by unpaid volunteers. The value of these volunteer services does not qualify for inclusion in these consolidated financial statements and, therefore, has not been recorded. Contributed goods and services were approximately \$426,000 and \$347,000 for the years ended June 30, 2021 and 2020, respectively. These amounts are recorded within the contributed goods and services and special event contributions on the consolidated statements of activities.

Functional Expenses

The costs of providing various programs and other activities of the Organization have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs such as occupancy, depreciation and amortization, and insurance expenditures have been allocated among the various programs and supporting services benefited based on salary estimates by department and other relevant factors. While such estimates are not conducive to precise determination, and actual results could differ from these estimates, management believes the resulting allocations are reasonable.

Fair Value Measurement

FASB ASC Topic 820, Fair Value Measurement, defines fair value and establishes a framework for measuring fair value for assets and liabilities that are measured at fair value on a recurring basis. In accordance with the accounting standards for fair value measurement for those assets and liabilities that are measured at fair value on a recurring basis, the Organization has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the

Continued

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument. Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

Management Estimates and Uncertainties

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a “Public Health Emergency of International Concern” and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantine in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

1. Organization and Summary of Significant Accounting Policies (continued)

Management Estimates and Uncertainties (continued)

continue to have, an adverse impact on the economies and financial markets of many countries. It is unknown how long these conditions will last and what the complete financial effect will be on the Organization. While the extent of the impact of COVID-19 on the Organization's operations and financial performance are uncertain and cannot be predicted, the Organization is comfortable with its liquidity, and is continuing to execute its five-year strategic scientific spending plan. Management is continually monitoring the impact of COVID-19.

Liquidity and Availability

The Organization is supported primarily by contributions. As part of the Organization's liquidity management, the Board has designated an operating reserve equal to six months of operating expenses. The Organization also has a line of credit with \$3,000,000 in unused funds available as of June 30, 2021.

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

1. Organization and Summary of Significant Accounting Policies (continued)

Liquidity and Availability (continued)

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 21,307,611	\$ 13,523,214
Investments	50,323,741	40,348,978
Pledges receivable	1,236,985	552,242
Total financial assets	<u>72,868,337</u>	<u>54,424,434</u>
Less:		
Internally designated amounts		
- reserves	(7,411,000)	(7,100,000)
Internally designated amounts		
- research	(32,571,192)	(14,424,209)
Internally designated amounts		
- RD Fund	<u>(22,047,856)</u>	<u>(21,264,179)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,838,289</u>	<u>\$ 11,636,046</u>

Income Taxes

The Internal Revenue Service has ruled that the Foundation, the RD Fund, MDI and NRPF are exempt from the payment of taxes on income, except for unrelated business income, under Section 501(c)(3) of the Internal Revenue Code (the IRC). No provision for income taxes is required for the years ended June 30, 2021 and 2020, as the Organization had no material taxable net unrelated business income.

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

1. Organization and Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

The Organization performed an evaluation of its uncertainty in income tax for the years ended June 30, 2021 and 2020, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status.

The Organization follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements.

Under this policy, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position. Management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with provisions of this guidance.

Generally, the Organization is no longer subject to income tax examinations for the U.S. federal, state or local tax authorities for years before June 30, 2018.

Reclassifications

Certain amounts for 2020 have been reclassified to conform to the 2021 consolidated financial statement presentation. The reclassifications had no impact on the Organization's net assets or change in net assets.

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

1. Organization and Summary of Significant Accounting Policies (continued)

Accounting Pronouncements Adopted

In June 2018, FASB issued Account Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. As a resource provider the adoption of this ASU did not materially impact the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The adoption of this ASU did not materially impact the consolidated financial statements.

Accounting Pronouncements Pending

In July 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendment is intended to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements in presentation and disclosure requirements. Entities will now be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial contributions. Entities will also be required to disclose various information related to contributed nonfinancial assets. ASU 2020-07 is effective for fiscal years beginning July 1, 2021. The Organization is currently in the process of evaluating the impact of the new accounting guidance on the consolidated financial statements.

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

2. Investments

Excess cash balances, operating reserve funds, research opportunity funds, net assets with donor restrictions available for the ROC five-year research plan and net assets with donor restrictions to be held in perpetuity are invested. Investments are managed according to the estimated timing of cash flow needs.

As of June 30, 2021 and 2020, investments consisted of the following:

	2021	2020
Cash and money market funds	\$ 2,228,700	\$ 5,363,837
Government mortgage-backed securities	81,107,548	78,071,353
Equities and fixed income	4,503,230	3,580,016
Certificates of deposit	22,819,000	20,000,000
Investments held at cost	21,049,822	7,374,997
Equity method investment	457,140	3,663,173
Total investments	\$ 132,165,440	\$ 118,053,376

A summary of the return on investments is as follows for the years ended June 30, 2021 and 2020:

	2021	2020
Interest and dividends	\$ 4,317,491	\$ 5,263,368
Net unrealized and realized gains	7,813,111	9,169
Gain (loss) on equity method investment	1,086,879	(2,282,154)
Investment fees	(317,012)	(290,502)
Net investment income	\$ 12,900,469	\$ 2,699,881

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

2. Investments (continued)

The table below summarizes such investments and certain attributes as of June 30, 2021.

Investment	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments at cost (a)	\$ 21,049,822	(a)	None	N/A
Equity method investment (b)	457,140	(b)	None	N/A

(a) This category includes investments in various for profit entities. The Organization provides equity funding for preferred class A shares. There were no dividends received as of June 30, 2021 or 2020. Unfunded commitments as of June 30, 2021, were \$4,891,121 for domestic investments and €2,500,000 for foreign investments. In connection with one of its investments during the year ended June 30, 2021, the Organization exercised warrants in a company and received 250,000 shares of common stock for no additional consideration. The Organization still holds approximately 165,000 warrants in which the value has been included in the cost of the investment as of June 30, 2021. On September 28, 2020, one of these investments was sold to a global ophthalmic company, and the Organization's portion of the initial sale price was \$13,165,853 less fees of \$105,260 and less \$1,565,839 to be held in escrow for 12 months, which nets to \$11,494,753. On October 12, 2021, the Organization received the escrow payment in the amount of \$1,562,515. The Organization recorded a gain of approximately \$10,065,000 as a result of the sale. The realized gain is recorded within investment income on the consolidated statements of activities. Additionally, the sale transaction included potential future revenue of \$9,052,387 in the aggregate associated with the successful achievement of four separate clinical-related milestones. No milestones were achieved for the year ended June 30, 2021.

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

2. Investments (continued)

The Organization adjusts the value of these investments when there is an observable price change in an orderly transaction, or indications of impairment of the value of the investments.

- (b) The Organization provides equity funding for preferred class A shares in for-profit entities. In May 2021, an investment in a foreign company previously accounted for under the equity method began being accounted for under the cost method due to a reduction in ownership percentage during the year ended June 30, 2021. In July 2020, a new investment was made in a domestic company and was accounted for under the equity method. Unfunded commitments as of June 30, 2021 were \$4,500,000. An unrealized gain (loss) of \$1,086,879 and (\$2,282,154) was recognized for the years ended June 30, 2021 and 2020, respectively. The unrealized gain (loss) is recorded within investment income on the consolidated statements of activities.

3. Pledges Receivable

Pledges receivable are discounted to their net present value using a discount rate of 0.67% and 0.24% for the years ended June 30, 2021 and 2020, respectively.

As of June 30, 2021 and 2020, pledges receivable were expected to be collected as follows:

	2021	2020
Due in less than 1 year	\$ 12,380,174	\$ 19,365,935
Due in 1 to 5 years	1,690,874	10,331,534
	14,071,048	29,697,469
Less discount to present value	(30,896)	(116,226)
Less allowance for doubtful pledges receivable	(367,000)	(1,165,700)
Net pledges receivable	\$ 13,673,152	\$ 28,415,543

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

3. Pledges Receivable (continued)

The Organization has a conditional promise to give from a donor whereby the donor will contribute up to \$54,017,579 for research upon the Organization collecting matching contributions. The donor is paying the

matching donations dollar for dollar, and the outstanding balance as of June 30, 2021, was \$3,708,442 included in the pledge receivable balance above. The remaining amount of potential matching funds to be recorded as of June 30, 2021, was \$180,000.

The Organization has a conditional promise to give from a donor of \$15,000,000. As such, this amount has not been reported in the accompanying consolidated statement of activities and will be recognized when conditions have been substantially met.

4. Split-Interest Agreements

The Organization's split-interest agreements include a charitable gift annuity program, several charitable remainder unitrusts (CRUTs), a charitable remainder trust (CRAT) and a pooled income fund.

A charitable gift annuity is a contract under which a charity, in return for a transfer of cash, marketable securities or other property, agrees to pay a fixed sum of money for a period measured by one or two lives. The contributed property, given irrevocably, becomes a part of the Organization's assets, and the payments are a general obligation of the Organization. The Organization is a member of the American Council on Gift Annuities (the Council) and uses the current uniform gift annuity rates suggested and adopted by the Council on January 1, 2012. These uniform gift annuity rates range from 4.4% to 9.0% for ages 60 or greater.

The Organization has fully insured these annuities with highly rated insurance companies to protect its risk. In addition, the Organization has separate reserve accounts held in order to comply with certain state insurance laws. The balance of the separate reserve accounts totaled \$272,296 and \$272,329 at June 30, 2021 and 2020, respectively. The annuities and required reserves are included in charitable gift annuity

Continued

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

4. Split-Interest Agreements (continued)

investments and reserves in the accompanying consolidated statements of financial position. The Organization has also designated additional reserves as protection against potential changes in reinsurance regulations in various states. These reserves are included in charitable gift annuity investments and reserves in the consolidated statements of financial position.

In addition, the Organization has received several CRUTs and a CRAT, collectively referred to as the Trusts. The assets of the Trusts are held in trust by a third-party trustee and represent resources not in the Organization's possession or control. Upon the death of the surviving beneficiary of the Trusts, the remainder of the Trusts' assets will be distributed to the Organization for general use.

The present value of the estimated future cash flows (as measured by the fair value of the underlying assets, net of the estimated liabilities) was recognized as an asset and contribution revenue at the date the Trusts were established. Trusts are revalued annually by calculating the present value of the annuity or expected future distributions using published life expectancy tables. At June 30, 2021 and 2020, the discount rate used was 1.2% and 0.6%, respectively. The assets are included in beneficial interests in remainder trusts in the accompanying consolidated statements of financial position. The value of the Trusts increased (decreased) by \$1,474,603 and (\$194,810) for the years ended June 30, 2021 and 2020, respectively, which is included in planned giving in the accompanying consolidated statements of activities.

The pooled income fund (the Fund) enables donors to pool gifts into one trust. The assets of the Fund are held in trust by a third-party trustee and represent resources not in the possession, but under the control, of the Organization. Upon the death of the surviving beneficiary, the Fund's principal passes to the Organization for general use, unless stipulated for specific purposes by the donor.

Continued

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

4. Split-Interest Agreements (continued)

The liability for the present value of deferred gifts is based upon actuarial estimates and assumptions regarding the duration of the agreements and rates to discount the liability. At June 30, 2021 and 2020, the discount rate was 2.67%. The fair values of the Fund's assets, as well as the related obligations to the beneficiaries, are reflected in the consolidated statements of financial position in prepaid expenses and other assets and accounts payable and accrued expenses, respectively.

5. Property, Plant and Equipment

Property, plant and equipment consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Research facility	\$ 3,577,430	\$ 3,577,430
Furniture and equipment	1,113,640	1,304,634
Leasehold improvements	149,229	845,341
Total property, plant, and equipment	<u>4,840,299</u>	<u>5,727,405</u>
Less accumulated depreciation and amortization	<u>(3,891,051)</u>	<u>(4,573,566)</u>
Net property, plant, and equipment	<u>\$ 949,248</u>	<u>\$ 1,153,839</u>

The Organization leases land from a university on which the Organization has built a research facility. The Organization has an agreement with the university for the university to use the research facility. The agreement results in annual rental income of approximately \$32,000 for the Organization. The agreement, which is subject to the continuation of an existing operating grant or obtaining substitute grant monies, expires on September 30, 2032. Upon termination of the agreement, the research facility and all improvements become the property of the university. Depreciation and amortization expense was \$303,474 and \$353,402 for the years ended June 30, 2021 and 2020, respectively.

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

6. Commitments and Contingencies

Operating Leases

The Organization leases office space throughout the country. All leases are non-cancellable and expire November 2021 (California), June 2023 (Illinois) and August 2023 (office sublease – Maryland).

Under the terms of certain office space leases, the lessors provided the Organization with rent abatements and tenant improvement allowances toward leasehold construction costs. In addition, one lease requires a letter of credit of \$52,963 as a security deposit.

Under U.S. GAAP, all fixed rent increases and lease incentives are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent and construction allowance in the accompanying consolidated statements of financial position.

The future minimum rental payments required under the operating leases, are as follows as of June 30, 2021:

Years ending June 30:

2022	\$ 182,658
2023	141,129
2024	11,448
Total	<u>\$ 335,235</u>

Occupancy expense totaled \$459,131 and \$728,775 for the years ended June 30, 2021 and 2020, respectively.

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

6. Commitments and Contingencies (continued)

Paycheck Protection Program Promissory Note

On April 17, 2020, the Organization applied for and received a loan of \$1,062,123 from Truist Bank, pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was enacted March 27, 2020. The interest rate was 1.0% per annum, payable monthly commencing after a decision on forgiveness was received. The loan was guaranteed by the Small Business Administration (SBA) and was scheduled to mature on April 17, 2022. There was no application or other fees associated with this loan. Proceeds were used to pay compensation and benefit costs in order to retain workers and to make mortgage interest payments, lease payments and utility payments. The Organization used the entire loan amount for qualifying expenses. The Organization applied for and received forgiveness for the entire loan amount on April 29, 2021, and has recognized the amount of the loan as revenue without donor restrictions in the consolidated statement of activities for the year ended June 30, 2021. The loan is subject to audit by the SBA for a period of six years following forgiveness.

On March 18, 2021, the Organization applied for and received a loan of \$1,093,127 from Truist Bank, pursuant to the PPP under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The interest rate is 1.0% per annum, payable monthly commencing one month after a decision on forgiveness is received or 10 months after the end of the Forgiveness Covered Period if the Organization has not applied for forgiveness of this loan, whichever is earlier. The loan is guaranteed by the SBA and matures on March 18, 2026. There were no application or other fees associated with this loan. Proceeds may be used to pay compensation and benefit costs in order to retain workers and to make mortgage interest payments, lease payments and utility payments. The Organization intends to use the entire loan amount for qualifying expenses. Under the terms of the loan, some or all of the loan may be forgiven if the funds are used for qualifying expenses as described in the CARES Act. As a result, the Organization has reflected

Continued

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

6. Commitments and Contingencies (continued)

Paycheck Protection Program Promissory Note (continued)

this loan as liability on the consolidated statements of financial position as of June 30, 2021.

Line of Credit

The Organization has a line of credit with a lending institution in the amount of \$3,000,000, with an interest rate equal to the one month London Interbank Offered Rate (LIBOR) plus 1.9%. The line of credit is available for general Organization purposes and is available through March 31, 2023. At June 30, 2021 and 2020, the line of credit had no outstanding balance and there were no drawdowns on the line of credit during the fiscal years ended June 30, 2021 and 2020. Any borrowings under the line of credit are subject to certain financial covenants and collateralized by the Organization's equipment and general intangibles. The agreement also includes a covenant that the Organization maintains the investment portfolio free of any liens or encumbrances.

Research Grants

The Foundation has entered into grants with conditional renewal options including milestones. As of June 30, 2021, total conditional research commitments, including milestone contracts, were \$42,009,000, which will be recognized in the consolidated financial statements when the conditions have been substantially met.

Co-funding Agreements

The Organization has entered into co-funding agreements as a form of programmatic lending with two separate for-profit research companies. Each agreement outlines initial research funding, not to exceed \$7,500,000 to either company, provided by the Organization. As of June 30, 2021, the Organization has paid a total of \$12,250,000, with a potential \$750,000 remaining to be funded. The agreements include repayment terms whereby the Organization could be entitled to payments of up to \$59,500,000 if both

Continued

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

6. Commitments and Contingencies (continued)

Co-funding Agreements (continued)

companies achieve commercial success in the future. Additionally, if a change in control transaction occurs at either company, repayment to the Organization is accelerated. The acceleration of repayment creates an underlying derivative that, as of June 30, 2021, management does not believe has significant value. The funded amounts were recorded as grant expense on the consolidated statement of activities in previous years when the funding occurred. Given the potential for any future repayment was highly uncertain, the loan receivable balance was insignificant.

7. Concentration of Risk

The Organization maintains its cash and cash equivalents, including those held for investment purposes, with certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. The Organization monitors the creditworthiness of these institutions and has not experienced any losses on such accounts.

Management believes it is not exposed to significant risk on its cash and cash equivalents.

The Organization received approximately 26% and 6% of its total public support from its Board of Directors and national trustees during the years ended June 30, 2021 and 2020, respectively. Approximately 68% and 76% as of June 30, 2021 and 2020, respectively, of the Organization's net pledges receivable are from two donors.

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2021 and 2020:

	2021	2020
Subject to expenditure for specific purpose:		
Research	\$ 52,744,617	\$ 62,844,031
Research - RD Fund	35,276,584	39,092,519
General operations in future period	9,221,920	6,360,022
Chatlos Public Health Education Program	670,824	208,775
	97,913,945	108,505,347
Subject to the Foundation's spending policy and appropriation:		
Investment in perpetuity (including amounts above original gift amount of \$3,256,748), the income from which is expendable to support:		
Research	644,897	525,430
General operations	3,555,625	2,896,944
	4,200,522	3,422,374
Total net assets with donor restrictions	\$ 102,114,467	\$ 111,927,721

Net assets are released from donor restrictions when expenses are incurred to satisfy restricted purposes or by the occurrence of other events, as specified by donors, when future pledges for general operations are due or when endowment net assets are appropriated in accordance with the Organization's spending policy.

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

8. Net Assets With Donor Restrictions (continued)

Purpose restrictions accomplished or time restrictions met were as follows:

	2021	2020
Specific purpose restrictions accomplished:		
Research	\$ 23,326,455	\$ 19,653,986
Chatlos Public Health Education Program	727,334	375,250
General operations - satisfaction of time restriction	699,681	600,000
Endowment	160,872	97,156
Total restrictions released	<u>\$ 24,914,342</u>	<u>\$ 20,726,392</u>

9. Thrift Savings Plan

The Organization maintains a thrift savings plan under the provisions of Section 403(b) of the IRC. The plan is available to all full-time, active employees. The Organization may make matching contributions to the plan, not to exceed a set percentage of the participant's compensation. Participants vest in the contributions made by the Organization over a four-year period. The Organization's contributions to the plan totaled \$263,538 and \$284,721 for the years ended June 30, 2021 and 2020, respectively.

10. Related Party Transactions

Given the Organization's singular focus on inherited retinal degenerative diseases and the limited pool of relevant experts to serve as advisors and investigators, there is some overlap in the Organization's operations and the research supporting the Organization's mission. The Organization's policy to mitigate this overlap requires that all grant applications be subject to independent evaluation by appropriate peer reviewers prior to grant commitment. The review and final approval process excludes anyone directly associated with the application, and anyone, including scientific experts, who, in any other way, has a recognizable conflict of interest.

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

10. Related Party Transactions (continued)

During the years ended June 30, 2021 and 2020, the Organization committed funds in the amount of \$4,729,402 and \$3,314,586, respectively, to research projects whose principal research investigators also serve as scientific experts.

11. Fair Value Measurement

The following table summarizes the Organization's assets and liabilities measured at fair value on a recurring basis as of June 30, 2021:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and money market funds	\$ 2,228,700	\$ 2,228,700	\$ -	\$ -
Government mortgage-backed securities	81,107,548	-	81,107,548	-
Equities and fixed income	4,503,230	4,503,230	-	-
Pooled income fund	28,969	28,969	-	-
Beneficial interests in remainder trusts	7,816,076	-	-	7,816,076
Reserves for charitable gift annuity	888,072	-	888,072	-
Total assets at fair value	96,572,595	\$ 6,760,899	\$ 81,995,620	\$ 7,816,076
Investments at cost	21,049,822			
Equity method investment	457,140			
Total assets	\$ 118,079,557			
Liabilities:				
Annuity obligations	\$ 617,921	\$ -	\$ 617,921	\$ -
Total liabilities	\$ 617,921	\$ -	\$ 617,921	\$ -

Continued

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

11. Fair Value Measurement (continued)

The following table summarizes the Organization's assets and liabilities measured at fair value on a recurring basis as of June 30, 2020:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and money market funds	\$ 5,363,837	\$ 5,363,837	\$ -	\$ -
Government mortgage-backed securities	78,071,353	-	78,071,353	-
Equities and fixed income	3,580,016	3,580,016	-	-
Pooled income fund	26,816	26,816	-	-
Beneficial interests in remainder trusts	6,341,473	-	-	6,341,473
Reserves for charitable gift annuity	951,558	272,329	679,229	-
Total assets at fair value	<u>94,335,053</u>	<u>\$ 9,242,998</u>	<u>\$ 78,750,582</u>	<u>\$ 6,341,473</u>
Investments at cost	7,374,997			
Equity method investment	3,663,173			
Total assets	<u>\$ 105,373,223</u>			
Liabilities:				
Annuity obligations	\$ 687,817	\$ -	\$ 687,817	\$ -
Total liabilities	<u>\$ 687,817</u>	<u>\$ -</u>	<u>\$ 687,817</u>	<u>\$ -</u>

Certificates of deposit are excluded from the fair value hierarchy as certificates of deposit are recorded in the accompanying consolidated financial statements at amortized cost as of June 30 which approximates fair market value. As such, certificates of deposit of \$22,819,000 and \$20,000,000, held in the Organization's investment portfolio at June 30, 2021 and 2020, respectively, have been excluded from this table.

Continued

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

11. Fair Value Measurement (continued)

The Organization used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value:

Cash and money market funds – Cash and money market funds include cash deposits in investment accounts, donor restricted cash to be invested and funds held in money market funds. These are priced using independent market prices in the primary trading market and are classified within Level 1 of the valuation hierarchy based on the availability of quotes for identical assets. Reserves for charitable gift annuity include money market funds that are classified as Level 1 of the valuation hierarchy.

Government mortgage-backed securities – Securities are valued based on yields currently available for comparable securities from issuers with similar credit ratings and are classified within Level 2 of the valuation hierarchy.

Pooled income fund – The pooled income fund consists primarily of fixed-income and equity mutual funds that are valued at the net asset value of shares held by the Organization at year-end and are based on quoted market prices in active markets. Accordingly, these investments are classified within Level 1 of the valuation hierarchy.

Beneficial interests in remainder trusts – See Note 4 for the significant assumptions used to estimate the fair value of the Organization's beneficial interests in remainder trusts, which are classified within Level 3 of the valuation hierarchy.

Annuity obligations – See Note 4 for the significant assumptions used to estimate the fair value of the Organization's annuity obligations, which are classified within Level 2 of the valuation hierarchy.

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

11. Fair Value Measurement (continued)

A roll forward of the fair value measurements using unobservable inputs (Level 3) is as follows for the years ended June 30, 2021 and 2020:

	Beneficial Interests in Remainder Trusts
Balance, June 30, 2019	\$ 6,536,283
Change in value of existing split-interest agreements	(194,810)
Balance, June 30, 2020	<u>6,341,473</u>
Change in value of existing split-interest agreements	1,474,603
Balance June 30, 2021	<u><u>\$ 7,816,076</u></u>

The change in value of split-interest agreements, as well as new split-interest agreements, is included in planned giving in the accompanying consolidated statements of activities and pertains to split-interest agreements held at each respective year-end.

12. Endowment Funds

The Organization's endowment is composed of two donor-restricted funds, which are shown as net assets with donor restrictions in the accompanying consolidated financial statements. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. As of June 30, 2021 and 2020, net assets with donor restrictions to be held in perpetuity totaled \$4,200,522 and \$3,422,374, respectively, and the income earned on these net assets was restricted by the donors for research or general operations. Earnings from the fund totaled \$939,020 and \$137,702 in 2021 and 2020, respectively. Investment earnings on the endowment fund may be expended for the restricted purpose required in the year earned unless greater than the 7% maximum as allowed by law.

Continued

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

12. Endowment Funds (continued)

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Organization to appropriate for expenditure or accumulate so much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, the Organization classifies as net assets with donor restrictions: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of a donor-restricted endowment fund is classified in net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the preservation of the fund, the purposes of the donor-restricted endowment fund and the investment policies of the Organization in making a determination to appropriate or accumulate donor-restricted endowment funds.

Return Objectives, Risk Parameters and Strategies Employed

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while protecting the principal balance. The objective of the net assets with donor restrictions to be held in perpetuity is the preservation of capital. To achieve the return objectives within the risk parameters, the Organization has elected to invest in debt of the United States government or its agencies and United States government or United States government agency mortgage-backed securities.

Continued

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

12. Endowment Funds (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The earnings on the net assets with donor restrictions to be held in perpetuity are released from restricted funds and are used in accordance with donor stipulations described in Note 8. From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2021 or 2020.

Changes in endowment net assets are as follows for the years ended June 30, 2021 and 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2019	\$ -	\$ 3,381,828	\$ 3,381,828
Investment income	-	137,702	137,702
Appropriations	-	(97,156)	(97,156)
Endowment net assets, June 30, 2020	-	3,422,374	3,422,374
Investment income	-	939,020	939,020
Appropriations	-	(160,872)	(160,872)
Endowment net assets, June 30, 2021	<u>\$ -</u>	<u>\$ 4,200,522</u>	<u>\$ 4,200,522</u>

13. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 8, 2021, which is the date the consolidated financial statements were available to be issued.

**FOUNDATION FIGHTING BLINDNESS, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020**

13. Subsequent Events (continued)

In August 2021, the RD Fund invested \$4,498,306 in Opus Genetics as part of a seed financing that included two other institutional investors who acquired a 29% interest in Opus Genetics. The RD Fund is the largest shareholder in Opus Genetics, a patient-focused gene therapy company focused on orphan inherited retinal diseases.

In October 2021, the Organization fulfilled the remaining funding commitment for its foreign investment of €2,500,000 in preferred class A-2 shares.

In October 2021, the Foundation received a pledge of \$5,000,000, payable over five years, primarily to support the Foundation's Translation Research Acceleration Project.

SUPPLEMENTAL INFORMATION

Foundation Fighting Blindness, Inc. and Affiliates

Consolidating Statement of Financial Position
June 30, 2021

	FFB			RD Fund	Opus Genetics	Eliminating	Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total
Assets									
Cash and cash equivalents	\$ 19,026,433	\$ -	\$ 19,026,433	\$ 1,791,845	\$ 489,333	\$ -	\$ 21,307,611	\$ -	\$ 21,307,611
Investments	28,816,779	81,841,699	110,658,478	21,506,962	-	-	50,323,741	81,841,699	132,165,440
Notes receivable	1,000,000	-	1,000,000	-	-	-	1,000,000	-	1,000,000
Pledges receivable, net	1,231,985	12,436,167	13,668,152	5,000	-	-	1,236,985	12,436,167	13,673,152
Prepaid expenses and other assets	1,580,631	28,969	1,609,600	7,707,704	24,015	(6,497,911)	2,814,439	28,969	2,843,408
Beneficial interests in remainder trusts	-	7,816,076	7,816,076	-	-	-	-	7,816,076	7,816,076
Charitable gift annuity investments and reserves	888,072	-	888,072	-	-	-	888,072	-	888,072
Property, plant and equipment, net	949,248	-	949,248	-	-	-	949,248	-	949,248
Total assets	\$ 53,493,148	\$ 102,122,911	\$ 155,616,059	\$ 31,011,511	\$ 513,348	\$ (6,497,911)	\$ 78,520,096	\$ 102,122,911	\$ 180,643,007
Liabilities and Net Assets									
Liabilities:									
Accounts payable and accrued expenses	\$ 7,294,186	\$ 8,444	\$ 7,302,630	\$ 406,940	\$ 620,325	\$ (6,497,911)	\$ 1,823,540	\$ 8,444	\$ 1,831,984
Grants payable	11,728,046	-	11,728,046	-	-	-	11,728,046	-	11,728,046
Deferred revenue	265,681	-	265,681	-	-	-	265,681	-	265,681
Deferred rent and construction allowance	12,485	-	12,485	-	-	-	12,485	-	12,485
Paycheck Protection Program promissory note	1,093,127	-	1,093,127	-	-	-	1,093,127	-	1,093,127
Charitable gift annuity obligation	617,921	-	617,921	-	-	-	617,921	-	617,921
Total liabilities	21,011,446	8,444	21,019,890	406,940	620,325	(6,497,911)	15,540,800	8,444	15,549,244
Net assets (deficit):									
Net assets (deficit) without donor restrictions:									
Internally designated for reserves	7,411,000	-	7,411,000	-	-	-	7,411,000	-	7,411,000
Internally designated for research	2,073,598	-	2,073,598	30,604,571	(106,977)	-	32,571,192	-	32,571,192
Internally designated for RD Fund	22,047,856	-	22,047,856	-	-	-	22,047,856	-	22,047,856
Represented by fixed assets	949,248	-	949,248	-	-	-	949,248	-	949,248
Total net assets (deficit) without donor restrictions	32,481,702	-	32,481,702	30,604,571	(106,977)	-	62,979,296	-	62,979,296
Net assets with donor restrictions	-	62,637,361	62,637,361	-	-	-	-	62,637,361	62,637,361
Net assets with donor restrictions - RD fund	-	35,276,584	35,276,584	-	-	-	-	35,276,584	35,276,584
Net assets with donor restrictions - endowments	-	4,200,522	4,200,522	-	-	-	-	4,200,522	4,200,522
Total net assets with donor restrictions	-	102,114,467	102,114,467	-	-	-	-	102,114,467	102,114,467
Total net assets (deficit)	32,481,702	102,114,467	134,596,169	30,604,571	(106,977)	-	62,979,296	102,114,467	165,093,763
Total liabilities and net assets	\$ 53,493,148	\$ 102,122,911	\$ 155,616,059	\$ 31,011,511	\$ 513,348	\$ (6,497,911)	\$ 78,520,096	\$ 102,122,911	\$ 180,643,007