

FOUNDATION FIGHTING BLINDNESS

FOUNDATION FIGHTING BLINDNESS, INC. AND AFFILIATES

Consolidated Financial Statements and Supplemental Information

For the Years Ended June 30, 2020 and 2019



and
Report Thereon



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

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For the Years Ended June 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, the Organization adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The adoption of these standards resulted in additional footnote disclosures and the reclassification of event revenue. Our opinion is not modified with respect to these matters.

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
October 28, 2020

Foundation Fighting Blindness, Inc. and Affiliates

Consolidated Statements of Financial Position June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Cash and cash equivalents	\$ 13,523,214	\$ -	\$ 13,523,214	\$ 5,592,585	\$ -	\$ 5,592,585
Investments (Notes 2 and 11)	40,348,978	77,704,398	118,053,376	43,025,971	83,839,682	126,865,653
Note receivable	500,000	-	500,000	500,000	-	500,000
Pledges receivable, less allowance and discounts (2020 - \$1,281,926; 2019 - \$1,452,344) (Notes 3 and 7)	552,242	27,863,301	28,415,543	3,729,912	22,524,889	26,254,801
Prepaid expenses and other assets	1,568,995	26,816	1,595,811	1,761,121	26,127	1,787,248
Beneficial interests in remainder trusts (Notes 4 and 11)	-	6,341,473	6,341,473	-	6,536,283	6,536,283
Charitable gift annuity investments and reserves (Note 4)	951,558	-	951,558	913,438	-	913,438
Property, plant and equipment, net (Note 5)	1,153,839	-	1,153,839	1,329,279	-	1,329,279
Total assets	\$ 58,598,826	\$ 111,935,988	\$ 170,534,814	\$ 56,852,306	\$ 112,926,981	\$ 169,779,287
Liabilities and Net Assets						
Liabilities						
Accounts payable and accrued expenses	\$ 1,185,535	\$ 8,267	\$ 1,193,802	\$ 1,582,952	\$ 7,019	\$ 1,589,971
Grants payable	11,654,636	-	11,654,636	13,980,632	-	13,980,632
Deferred revenue	17,450	-	17,450	316,357	-	316,357
Deferred rent and construction allowance (Note 6)	49,038	-	49,038	221,611	-	221,611
Paycheck Protection Program promissory note (Note 6)	1,062,123	-	1,062,123	-	-	-
Charitable gift annuity obligation (Note 11)	687,817	-	687,817	706,978	-	706,978
Total liabilities	14,656,599	8,267	14,664,866	16,808,530	7,019	16,815,549
Commitments (Note 6)						
Net assets						
Net assets without donor restrictions:						
Internally designated for reserves	7,100,000	-	7,100,000	7,100,000	-	7,100,000
Internally designated for research	35,688,388	-	35,688,388	31,614,497	-	31,614,497
Represented by fixed assets	1,153,839	-	1,153,839	1,329,279	-	1,329,279
Total net assets without donor restrictions	43,942,227	-	43,942,227	40,043,776	-	40,043,776
Net assets with donor restrictions (Note 8)	-	48,148,649	48,148,649	-	53,242,347	53,242,347
Net assets with donor restrictions - RD fund (Note 8)	-	60,356,698	60,356,698	-	56,295,787	56,295,787
Net assets with donor restrictions - endowments (Note 8)	-	3,422,374	3,422,374	-	3,381,828	3,381,828
Total net assets with donor restrictions (Notes 5, 8 and 12)	-	111,927,721	111,927,721	-	112,919,962	112,919,962
Total net assets	43,942,227	111,927,721	155,869,948	40,043,776	112,919,962	152,963,738
Total liabilities and net assets	\$ 58,598,826	\$ 111,935,988	\$ 170,534,814	\$ 56,852,306	\$ 112,926,981	\$ 169,779,287

See notes to consolidated financial statements.

Foundation Fighting Blindness, Inc. and Affiliates

Consolidated Statements of Activities Years Ended June 30, 2020 and 2019

	2020			2019		
	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	\$ 5,243,500	\$ 19,735,856	\$ 24,979,356	\$ 4,647,892	\$ 32,531,294	\$ 37,179,186
Special event revenue	258,089	-	258,089	8,697,906	-	8,697,906
Special event contributions	5,537,053	-	5,537,053	-	-	-
Less special event direct benefit costs	(561,197)	-	(561,197)	(1,662,827)	-	(1,662,827)
Special events, net	5,233,945	-	5,233,945	7,035,079	-	7,035,079
Planned giving	1,366,322	(144,218)	1,222,104	4,763,763	421,533	5,185,296
Allocated by federated fundraising organizations	151,790	4,811	156,601	173,033	3,563	176,596
Contributed goods and services	144,868	-	144,868	515,754	-	515,754
Total public support	12,140,425	19,596,449	31,736,874	17,135,521	32,956,390	50,091,911
Other revenue:						
Program service fees	125,525	-	125,525	171,550	-	171,550
Investment income, net (Note 2)	2,562,179	137,702	2,699,881	4,169,743	208,731	4,378,474
Contract revenue	114,437	-	114,437	60,000	-	60,000
Research patent revenue	29,695	-	29,695	191,504	-	191,504
Other income	32,544	-	32,544	32,555	-	32,555
Net assets released from restrictions:						
Satisfaction of time and program restrictions (Note 8)	20,726,392	(20,726,392)	-	18,425,589	(18,425,589)	-
Total revenue and support	35,731,197	(992,241)	34,738,956	40,186,462	14,739,532	54,925,994
Expenses:						
Program services:						
Research	20,908,623	-	20,908,623	21,946,589	-	21,946,589
Public health education	1,729,765	-	1,729,765	1,689,116	-	1,689,116
Total program services	22,638,388	-	22,638,388	23,635,705	-	23,635,705
Supporting services:						
Management and general	1,959,067	-	1,959,067	2,079,430	-	2,079,430
Fundraising	7,235,291	-	7,235,291	7,079,656	-	7,079,656
Total supporting services	9,194,358	-	9,194,358	9,159,086	-	9,159,086
Total expenses	31,832,746	-	31,832,746	32,794,791	-	32,794,791
Change in net assets	3,898,451	(992,241)	2,906,210	7,391,671	14,739,532	22,131,203
Net assets, beginning of year	40,043,776	112,919,962	152,963,738	32,652,105	98,180,430	130,832,535
Net assets, end of year	\$ 43,942,227	\$ 111,927,721	\$ 155,869,948	\$ 40,043,776	\$ 112,919,962	\$ 152,963,738

See notes to consolidated financial statements.

Foundation Fighting Blindness, Inc. and Affiliates

Consolidated Statements of Functional Expenses
Years Ended June 30, 2020 and 2019

	2020							2019						
	Program Services			Supporting Services				Program Services			Supporting Services			
	Research	Public Health Education	Total Program Services	Management and General	Fundraising	Total Supporting Services		Research	Public Health Education	Total Program Services	Management and General	Total Supporting Services		Total
						Services	Services					Services	Services	
Salaries	\$ 1,667,437	\$ 622,941	\$ 2,290,378	\$ 821,930	\$ 3,185,865	\$ 4,007,795	\$ 6,298,173	\$ 1,530,360	\$ 369,212	\$ 1,899,572	\$ 803,213	\$ 3,055,526	\$ 3,858,739	\$ 5,758,311
Employee benefits	207,009	97,058	304,067	137,269	511,591	648,860	952,927	187,325	55,190	242,515	132,404	430,799	563,203	805,718
Payroll taxes	96,967	47,343	144,310	55,276	226,496	281,772	426,082	90,859	25,747	116,606	54,176	215,075	269,251	385,857
Total salaries and related expenses	1,971,413	767,342	2,738,755	1,014,475	3,923,952	4,938,427	7,677,182	1,808,544	450,149	2,258,693	989,793	3,701,400	4,691,193	6,949,886
Professional fees	721,283	498,275	1,219,558	292,589	1,165,419	1,458,008	2,677,566	826,854	748,104	1,574,958	291,937	995,674	1,287,611	2,862,569
Printing and production	12,133	172,381	184,514	22,608	492,810	515,418	699,932	10,912	111,788	122,700	36,689	579,799	616,488	739,188
Travel	54,253	53,469	107,722	34,924	130,375	165,299	273,021	105,618	46,044	151,662	51,333	203,230	254,563	406,225
Conferences, meetings and events	53,255	105,436	158,691	108,266	177,763	286,029	444,720	181,875	153,785	335,660	137,425	67,749	205,174	540,834
Occupancy	105,980	56,445	162,425	128,094	438,256	566,350	728,775	65,580	94,448	160,028	128,625	412,435	541,060	701,088
Telecommunications	26,956	28,179	55,135	34,947	99,894	134,841	189,976	35,676	23,911	59,587	83,508	126,217	209,725	269,312
Supplies	15,549	7,272	22,821	105,939	335,797	441,736	464,557	32,988	13,087	46,075	83,977	387,254	471,231	517,306
Insurance	120,942	11,218	132,160	24,039	92,030	116,069	248,229	132,996	10,493	143,489	22,485	102,611	125,096	268,585
Depreciation and amortization	129,295	14,463	143,758	30,993	178,651	209,644	353,402	109,904	15,224	125,128	31,369	100,036	131,405	256,533
Postage	680	14,701	15,381	14,119	99,193	113,312	128,693	3,682	21,738	25,420	13,287	223,622	236,909	262,329
Bank charges, service fees and other	34,377	584	34,961	148,074	101,151	249,225	284,186	42,403	345	42,748	209,002	179,629	388,631	431,379
Total expenses before grants and clinical trial related costs	3,246,116	1,729,765	4,975,881	1,959,067	7,235,291	9,194,358	14,170,239	3,357,032	1,689,116	5,046,148	2,079,430	7,079,656	9,159,086	14,205,234
Grants and clinical trial related costs	17,662,507	-	17,662,507	-	-	-	17,662,507	18,589,557	-	18,589,557	-	-	-	18,589,557
Total expenses	\$20,908,623	\$ 1,729,765	\$22,638,388	\$ 1,959,067	\$ 7,235,291	\$ 9,194,358	31,832,746	\$ 21,946,589	\$ 1,689,116	\$ 23,635,705	\$2,079,430	\$ 7,079,656	\$ 9,159,086	32,794,791
Special event direct benefit costs							561,197							1,662,827
Total expenses and special event direct benefit costs							\$32,393,943							\$ 34,457,618

See notes to consolidated financial statements.

Foundation Fighting Blindness, Inc. and Affiliates

**Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 2,906,210	\$ 22,131,203
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(9,169)	(599,048)
Loss on equity method investment	2,282,154	1,191,722
Change in aggregate discount and allowance for doubtful pledges receivable	(170,418)	(187,571)
Change in value of split-interest agreements	194,810	(327,006)
Depreciation and amortization	353,402	256,533
Loss on disposal of property, plant, and equipment	2,386	-
Amortization of deferred construction allowance	77,351	77,351
Changes in assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	(1,990,324)	3,135,821
Prepaid expenses and other assets	191,437	90,829
Increase (decrease) in:		
Accounts payable and accrued expenses	(396,169)	(263,568)
Grants payable	(2,325,996)	7,138,312
Deferred revenue	(298,907)	(209,739)
Deferred rent	(249,924)	(234,182)
Deferred compensation obligation	-	(773,211)
Net cash provided by operating activities	566,843	31,427,446
Cash flows from investing activities:		
Purchase of investments	(48,810,602)	(42,846,210)
Purchase of investments for deferred compensation	-	(442,742)
Proceeds from sales or maturities of investments	55,349,894	5,960,455
Proceeds from sales of investments for deferred compensation	-	1,215,953
Termination of split-interest agreement assets	8,237	20,958
Purchase of split-interest agreement assets	(58,679)	(2,475)
Proceeds from sales of split-interest agreement assets	92,276	88,094
Purchase of property, plant, and equipment	(180,348)	(201,069)
Net cash provided by (used in) investing activities	6,400,778	(36,207,036)
Cash flows from financing activities:		
Liability related to charitable gift annuity	4,700	11,502
Payments to charitable gift annuity beneficiaries	(95,578)	(98,540)
Termination of charitable gift annuity	(8,237)	(24,263)
Proceeds from note Paycheck Protection Program promissory note	1,062,123	-
Net cash provided by (used in) financing activities	963,008	(111,301)
Net increase (decrease) in cash and cash equivalents	7,930,629	(4,890,891)
Cash and cash equivalents:		
Beginning of period	5,592,585	10,483,476
End of period	\$ 13,523,214	\$ 5,592,585

See notes to consolidated financial statements.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

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 all 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, stem 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 gene therapy, stem cell transplantation as well as emerging developments in optogenetics and neuroscience. This committee of expert scientists have 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 will 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, 2020 and 2019**

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 Organization also hosts 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, 2020 and 2019**

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

Organization (continued)

The Foundation's national headquarters is located in Maryland with several offices throughout the country and over 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.

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.

Basis of Accounting

The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Principles of Consolidation

The consolidated financial statements include the accounts of The Foundation and the RD Fund (collectively referred to as the Organization). All significant intercompany balances and transactions between entities have been eliminated in the consolidation; all entities are nonprofit corporations. There was no financial activity for MDI and NRPF for the years ended June 30, 2020 and 2019.

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

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.

Fixed Assets – Funds invested in fixed assets.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

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, money market funds and cash held for investment purposes, and program related investments.

Investments in government mortgage-backed securities, equities 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 would be received to sell an asset or paid to transfer a liability through an orderly transaction between market participants at the measurement date.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

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

Investments (continued)

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. The cost of program related investments accounted for under the equity method as of June 30, 2020 and 2019, was \$3,663,173 and \$2,202,666, respectively. The cost of program related investments accounted for under the cost method at June 30, 2020 and 2019, was \$7,374,997 and \$1,428,571, respectively. There was no allowance for these investments recorded as of June 30, 2020 or 2019.

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

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

Note Receivable

The note receivable represents a convertible promissory note to an unrelated entity, principally for investment, that matures in May 2023. The note is recorded at cost of \$500,000 as of June 30, 2020 and 2019. The interest rate on the note 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. The Organization added an additional promissory note in the amount of \$500,000 in September 2020. There is no additional investment commitment related to the promissory note.

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, 2020 and 2019**

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. 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, 2020 and 2019, 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 barriers (performance obligations and/or controlling stipulations). Conditional contributions are recognized into revenue when conditions are

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**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

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

Revenue Recognition (continued)

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 0.24% and 2.5% for the years ended June 30, 2020 and 2019, 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 promises 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.

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**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

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

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**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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1. Organization and Summary of Significant Accounting Policies (continued)

Contributed Goods and Services (continued)

included in net 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 \$347,000 and \$882,000 for the years ended June 30, 2020 and 2019, 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

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**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

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.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

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, 2020.

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2020 and 2019, are as follows:

	2020	2019
Cash and cash equivalents	\$ 13,523,214	\$ 5,592,585
Investments	40,348,978	43,025,971
Pledges receivable	552,242	3,729,912
Total financial assets	54,424,434	52,348,468
Less:		
Internally designated amounts		
- reserves	(7,100,000)	(7,100,000)
Internally designated amounts		
- research	(35,688,388)	(31,614,497)
Financial assets available to meet cash needs for general expenditures within one year	\$ 11,636,046	\$ 13,633,971

**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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1. Organization and Summary of Significant Accounting Policies (continued)

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, 2020 and 2019, as the Organization had no material taxable net unrelated business income.

The Organization performed an evaluation of its uncertainty in income tax for the years ended June 30, 2020 and 2019, 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, 2017.

**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

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

Reclassifications

Certain amounts for 2019 have been reclassified to conform to the 2020 consolidated financial statement presentation. The reclassifications had no impact on the change in net assets.

Accounting Pronouncements Adopted

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU create Topic 606, Revenue from Contracts with Customers, and supersede the revenue requirements in Topic 605, Revenue Recognition, including most industry-specific revenue recognition guidance throughout the Industry Topics of the ASC. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of this ASU resulted in additional disclosures and the reclassification of event revenue as described below. As a result of the adoption, special event revenue was separated into the portion which includes an element of fair market value (event tickets) and the remaining was deemed to be a contribution to the Organization. The ASU has been applied using the modified retrospective approach. If adopted as of June 30, 2019, the comparative numbers for special events would be as follows:

Special event revenue	\$ 913,971
Special event contributions	7,783,935
Less special event direct benefit costs	<u>(1,662,827)</u>
Special events, net	<u>\$ 7,035,079</u>

Because there was only a change in presentation and classification, there is no adjustment to net assets reflected.

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**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

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

Accounting Pronouncements Adopted (continued)

In June 2018, FASB issued ASU No. 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. The Organization adopted the ASU using the modified prospective approach. The adoption of this ASU for the contributions received portion did not impact the consolidated financial statements. When the Organization is the resource provider, the ASU is applicable to contributions made beginning July 1, 2020. The impact of adopting that provision of ASU 2018-08 on the Organization's consolidated financial statements for subsequent periods has not yet been determined.

In January 2016, FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The adoption of this ASU did not impact the consolidated financial statements.

Accounting Pronouncements Pending

In February, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. By definition, a short-term lease is one in which (a) the lease term is 12 months or less and (b) there is not an option to purchase the underlying asset that the lessee is reasonably certain to exercise. For short-term leases, lessees may elect an accounting policy by class of underlying asset under which right-of-use assets and lease

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**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

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

Accounting Pronouncements Pending (continued)

liabilities are not recognized and lease payments are generally recognized as expense over the lease term on a straight-line basis. This change will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under the legacy lease accounting guidance. This could significantly affect the financial ratios used for external reporting and other purposes, such as debt covenant compliance. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. In the ASU, the FASB provided one-year effective date deferrals for certain entities. ASU 2016-02 is now effective for the fiscal year 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.

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 ASU is effective for the Organization for the fiscal year beginning July 1, 2020. The Organization is currently in the process of evaluating the impact of new accounting guidance on the consolidated financial statements.

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

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**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

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

Accounting Pronouncements Pending (continued)

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.

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, 2020 and 2019, investments consisted of the following:

	2020	2019
Cash and money market funds	\$ 5,363,837	\$ 1,549,333
Government mortgage-backed securities	78,071,353	76,920,734
Equities and fixed income	3,580,016	3,456,071
Certificates of deposit	20,000,000	41,308,278
Investments held at cost	7,374,997	1,428,571
Equity method investment	3,663,173	2,202,666
Total investments	\$ 118,053,376	\$ 126,865,653

Continued

**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

2. Investments (continued)

A summary of the return on investments is as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 5,263,368	\$ 5,279,923
Net unrealized gains	1,904,479	2,641,527
Net realized losses	(1,895,310)	(2,042,479)
Loss on equity method investment	(2,282,154)	(1,191,722)
Investment fees	(290,502)	(308,775)
Net investment income	\$ 2,699,881	\$ 4,378,474

The table below summarizes such investments and certain attributes as of June 30, 2020.

Investment	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments at cost (a)	\$ 7,374,997	(a)	None	N/A
Equity method investment (b)	3,663,173	(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, 2020 or 2019. Unfunded commitments as of June 30, 2020 were approximately \$5,125,000. Subsequent to year-end, additional future commitments of \$5,500,000 were made in two new investments, which will be recorded at cost. In connection with one of its investments during the year ended June 30, 2020, the Organization received 250,000 warrants in a company. Because the exercise price is higher than the value of the underlying stock, the warrants did not have any value allocated at June 30, 2020.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. Investments (continued)

(b) The Organization provides equity funding for preferred class A shares of a French company created to develop potential vision saving treatments. An unrealized loss of \$2,282,154 and \$1,191,722 was recognized for the years ended June 30, 2020 and 2019, respectively. The unrealized loss is recorded within investment income on the consolidated statements of activities. As of June 30, 2020, there was a planned commitment of €6,000,000, however in August 2020, the Organization signed a new agreement, which reduced the commitment to €5,000,000 of future funding commitments.

3. Pledges Receivable

Pledges receivable are discounted to their net present value using a discount rate of 0.24% and 2.5% for the years ended June 30, 2020 and 2019, respectively.

As of June 30, 2020 and 2019, pledges receivable were expected to be collected as follows:

	2020	2019
Due in less than 1 year	\$ 19,365,935	\$ 15,152,121
Due in 1 to 5 years	10,331,534	12,555,024
	29,697,469	27,707,145
Less discount to present value	(116,226)	(283,804)
Less allowance for doubtful pledges receivable	(1,165,700)	(1,168,540)
Net pledges receivable	\$ 28,415,543	\$ 26,254,801

Conditional promises to give: 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, 2020 was \$12,224,225 included in the pledge receivable balance above. The remaining amount of potential matching funds to be recorded as of June 30, 2020 was \$255,000.

**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

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 \$272,329 and \$267,075 at June 30, 2020 and 2019, respectively. The annuities and required reserves are included in charitable gift annuity 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 investments 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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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4. Split-Interest Agreements (continued)

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, 2020 and 2019, the discount rate used was 0.6% and 2.8%, respectively. The assets are included in beneficial interests in remainder trusts in the accompanying consolidated statements of financial position. The value of the Trusts decreased by \$194,810 and increased by \$327,006 for the years ended June 30, 2020 and 2019, 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.

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, 2020 and 2019, the discount rate was 2.67% and 2.0%, respectively. 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.

**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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5. Property, Plant, and Equipment

Property, plant, and equipment consist of the following at June 30, 2020 and 2019:

	2020	2019
Research facility	\$ 3,577,430	\$ 3,577,430
Furniture and equipment	1,304,634	1,325,749
Leasehold improvements	845,341	867,698
Total property, plant, and equipment	5,727,405	5,770,877
Less accumulated depreciation and amortization	(4,573,566)	(4,441,598)
Net property, plant, and equipment	<u>\$ 1,153,839</u>	<u>\$ 1,329,279</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.

6. Commitments and Contingencies

Operating Leases

The Organization leases office space throughout the country. All leases are non-cancellable and expire December 2020 (New York), 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.

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**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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6. Commitments and Contingencies (continued)

Operating Lease (continued)

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, including future payments for the new office sublease signed in August 2020 (see Note 13), are as follows as of June 30, 2020:

Years ending June 30:

2021	\$ 376,656
2022	182,658
2023	141,129
2024	11,448
Total	<u>\$ 711,891</u>

Occupancy expense totaled \$728,775 and \$701,088 for the years ended June 30, 2020 and 2019, respectively.

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**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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6. Commitments and Contingencies (continued)

Paycheck Protection Program Promissory Note

The Organization applied for and received a loan (the Loan) of \$1,062,123 from Truist Bank on April 17, 2020, 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 is 1.0% per annum, payable monthly commencing on April 17, 2020. The loan is guaranteed by the Small Business Administration and matures on April 17, 2022. There is 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 this loan as liability on the consolidated statement of financial position. The Loan may be prepaid at any time without penalty.

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, 2020 and 2019, 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, 2020 and 2019. 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.

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**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

6. Commitments and Contingencies (continued)

Research Grants

The Foundation has entered into grants with conditional renewal options including milestones. As of June 30, 2020, total conditional research commitments, including milestone contracts, were \$41,859,000, which will be recognized in the consolidated financial statements when the conditions have been substantially met.

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 6% and 27% of its total public support from its Board of Directors and national trustees during the years ended June 30, 2020 and 2019, respectively. Approximately 76% and 52% as of June 30, 2020 and 2019, respectively, of the Organization's net pledges receivable are from two donors and one donor, respectively.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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8. Net Assets With Donor Restrictions

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

	2020	2019
Subject to expenditure for specific purpose:		
Research	\$ 41,579,852	\$ 44,736,933
Research - RD Fund	60,356,698	56,295,787
General operations in future period	6,360,022	8,255,389
Chatlos Public Health Education Program	208,775	250,025
	108,505,347	109,538,134
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	525,430	519,205
General operations	2,896,944	2,862,623
	3,422,374	3,381,828
Total net assets with donor restrictions	\$ 111,927,721	\$ 112,919,962

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.

Purpose restrictions accomplished or time restrictions met were as follows:

	2020	2019
Specific purpose restrictions accomplished:		
Research	\$ 19,653,986	\$ 17,948,428
Chatlos Public Health Education Program	375,250	293,513
General operations - satisfaction of time restriction	600,000	99,997
Endowment	97,156	83,651
Total restrictions released	\$ 20,726,392	\$ 18,425,589

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**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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 \$284,721 and \$248,009 for the years ended June 30, 2020 and 2019, 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.

During the years ended June 30, 2020 and 2019, the Organization committed funds in the amount of \$3,314,586 and \$5,454,273, respectively, to research projects whose principal research investigators also serve as scientific experts.

**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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, 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>

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**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

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, 2019:

	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	\$ 1,549,333	\$ 1,549,333	\$ -	\$ -
Government mortgage-backed securities	76,920,734	-	76,920,734	-
Equities and fixed income	3,456,071	3,456,071	-	-
Pooled income fund	26,127	26,127	-	-
Beneficial interests in remainder trusts	6,536,283	-	-	6,536,283
Reserves for charitable gift annuity	913,438	267,075	646,363	-
Total assets at fair value	89,401,986	\$ 5,298,606	\$ 77,567,097	\$ 6,536,283
Investments at cost	1,428,571			
Equity method investment	2,202,666			
Total assets	<u>\$ 93,033,223</u>			
Liabilities:				
Annuity obligations	\$ 706,978	\$ -	\$ 706,978	\$ -
Total liabilities	<u>\$ 706,978</u>	<u>\$ -</u>	<u>\$ 706,978</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 30th which approximates fair market value. As such, certificates of deposit of \$20,000,000 and \$41,308,278, held in the Organization's investment portfolio at June 30, 2020 and 2019, respectively, have been excluded from this table.

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**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

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.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

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, 2020 and 2019:

	Beneficial Interests in Remainder Trusts
Balance, June 30, 2018	\$ 6,209,277
Change in value of existing split-interest agreements	327,006
Balance, June 30, 2019	6,536,283
Change in value of existing split-interest agreements	(194,810)
Balance June 30, 2020	\$ 6,341,473

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, 2020 and 2019, net assets with donor restrictions to be held in perpetuity totaled \$3,422,374 and \$3,381,828, respectively and the income earned on these net assets was restricted by the donors for research or general operations. Earnings from the fund totaled \$137,702 and \$208,731 in 2020 and 2019, respectively. Investment earnings on the endowment fund are expended for the restricted purpose required in the year earned unless greater than the 7% maximum as allowed by law.

**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

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.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

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, 2020 or 2019.

Changes in endowment net assets are as follows for the years ended June 30, 2020 and 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2018	\$ -	\$ 3,256,748	3,256,748
Investment income	-	208,731	208,731
Appropriations	-	(83,651)	(83,651)
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

13. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 28, 2020, 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, 2020 and 2019**

13. Subsequent Events (continued)

On August 10, 2020 the Organization entered into a sublease agreement for office space in Columbia, Maryland, commencing on September 1, 2020 and ending on August 31, 2023. Rent for the space escalates with base rent increasing 3.5% each lease year, for a term of three years. Future minimum lease payments under this lease are included in Note 6.

As described in Note 2, in August 2020, the RD Fund signed an agreement to provide future additional funding to the French company for €5,000,000. On August 28, 2020, the Organization partially fulfilled this commitment for equity funding in the amount of €2,500,000 preferred class A-2 shares in the company.

As described in Note 1, on September 2, 2020, the RD Fund added an additional promissory note receivable for \$500,000. There is no additional investment commitment related to the promissory note.

In September 2020, the RD fund invested in two additional investments for \$500,000 each. Future additional commitments total \$4,500,000 for these investments. One of these investments will be recorded at cost, and the other will be recorded using the equity method of accounting.

On September 28, 2020, one of the RD Fund investments was sold to a global ophthalmic company, and the RD Fund'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 in cash received on September 28, 2020. The Organization recorded a gain of approximately \$10,065,000 as a result of the sale. 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.

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SUPPLEMENTAL INFORMATION

Foundation Fighting Blindness, Inc. and Affiliates

Consolidating Statement of Financial Position June 30, 2020

	FFB			RD Fund	Eliminating	Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total			Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions
Assets								
Cash and cash equivalents	\$ 13,255,223	\$ -	\$ 13,255,223	\$ 267,991	\$ -	\$ 13,523,214	\$ -	\$ 13,523,214
Investments	29,310,808	77,704,398	107,015,206	11,038,170	-	40,348,978	77,704,398	118,053,376
Note receivable	500,000	-	500,000	-	-	500,000	-	500,000
Pledges receivable, net	552,242	27,863,301	28,415,543	-	-	552,242	27,863,301	28,415,543
Prepaid expenses and other assets	1,913,589	26,816	1,940,405	6,461	(351,055)	1,568,995	26,816	1,595,811
Beneficial interests in remainder trusts	-	6,341,473	6,341,473	-	-	-	6,341,473	6,341,473
Charitable gift annuity investments and reserves	951,558	-	951,558	-	-	951,558	-	951,558
Property, plant and equipment, net	1,153,839	-	1,153,839	-	-	1,153,839	-	1,153,839
Total assets	\$ 47,637,259	\$ 111,935,988	\$ 159,573,247	\$ 11,312,622	\$ (351,055)	\$ 58,598,826	\$ 111,935,988	\$ 170,534,814
Liabilities and Net Assets								
Liabilities:								
Accounts payable	\$ 1,284,743	\$ 8,267	\$ 1,293,010	\$ 251,847	\$ (351,055)	\$ 1,185,535	\$ 8,267	\$ 1,193,802
Grants payable	10,904,636	-	10,904,636	750,000	-	11,654,636	-	11,654,636
Deferred revenue	17,450	-	17,450	-	-	17,450	-	17,450
Deferred rent and construction allowance	49,038	-	49,038	-	-	49,038	-	49,038
Paycheck Protection Program promissory note	1,062,123	-	1,062,123	-	-	1,062,123	-	1,062,123
Charitable gift annuity obligation	687,817	-	687,817	-	-	687,817	-	687,817
Total liabilities	14,005,807	8,267	14,014,074	1,001,847	(351,055)	14,656,599	8,267	14,664,866
Net assets:								
Net assets without donor restrictions:								
Internally designated for reserves	7,100,000	-	7,100,000	-	-	7,100,000	-	7,100,000
Internally designated for research	25,377,613	-	25,377,613	10,310,775	-	35,688,388	-	35,688,388
Represented by fixed assets	1,153,839	-	1,153,839	-	-	1,153,839	-	1,153,839
Total net assets without donor restrictions	33,631,452	-	33,631,452	10,310,775	-	43,942,227	-	43,942,227
Net assets with donor restrictions	-	48,148,649	48,148,649	-	-	-	48,148,649	48,148,649
Net assets with donor restrictions - RD fund	-	60,356,698	60,356,698	-	-	-	60,356,698	60,356,698
Net assets with donor restrictions - endowments	-	3,422,374	3,422,374	-	-	-	3,422,374	3,422,374
Total net assets with donor restrictions	-	111,927,721	111,927,721	-	-	-	111,927,721	111,927,721
Total net assets	33,631,452	111,927,721	145,559,173	10,310,775	-	43,942,227	111,927,721	155,869,948
Total liabilities and net assets	\$ 47,637,259	\$ 111,935,988	\$ 159,573,247	\$ 11,312,622	\$ (351,055)	\$ 58,598,826	\$ 111,935,988	\$ 170,534,814