

FOUNDATION FIGHTING BLINDNESS

FOUNDATION FIGHTING BLINDNESS, INC. AND AFFILIATES

Consolidated Financial Statements and Supplemental Information

For the Years Ended June 30, 2019 and 2018

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

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For the Years Ended June 30, 2019 and 2018**

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RSM US LLP

Independent Auditor's Report

To the 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 Foundation), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, 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, 2019 and 2018, and the changes in their net assets and their cash flows for the year 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, Foundation Fighting Blindness, Inc. and Affiliates adopted the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in additional footnote disclosures and changes to the classification of net assets. Our opinion is not modified with respect to this matter.

Report on Supplemental Information

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 38 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 22, 2019

Foundation Fighting Blindness, Inc. and Affiliates

Consolidated Statements of Financial Position June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Cash and cash equivalents	\$ 5,592,585	\$ -	\$ 5,592,585	\$ 10,483,476	\$ -	\$ 10,483,476
Investments (Notes 2 and 12)	43,025,971	83,839,682	126,865,653	25,005,826	65,541,781	90,547,607
Note receivable	500,000	-	500,000	500,000	-	500,000
Pledges receivable, less allowance and discounts (2019 - \$1,452,344; 2018 - \$1,639,915) (Notes 3 and 7)	3,729,912	22,524,889	26,254,801	2,793,612	26,409,439	29,203,051
Prepaid expenses and other assets	1,761,121	26,127	1,787,248	1,877,662	25,380	1,903,042
Beneficial interests in remainder trusts (Notes 4 and 12)	-	6,536,283	6,536,283	-	6,209,277	6,209,277
Deferred compensation fund (Notes 10 and 12)	-	-	-	773,211	-	773,211
Charitable gift annuity investments and reserves (Note 4)	913,438	-	913,438	941,273	-	941,273
Property, plant and equipment, net (Note 5)	1,329,279	-	1,329,279	1,384,743	-	1,384,743
Total assets	\$ 56,852,306	\$ 112,926,981	\$ 169,779,287	\$ 43,759,803	\$ 98,185,877	\$ 141,945,680
Liabilities and Net Assets						
Liabilities						
Accounts payable and accrued expenses	\$ 1,582,952	\$ 7,019	\$ 1,589,971	\$ 1,848,092	\$ 5,447	\$ 1,853,539
Grants payable	13,980,632	-	13,980,632	6,842,320	-	6,842,320
Deferred revenue	316,357	-	316,357	526,096	-	526,096
Deferred rent and construction allowance (Note 6)	221,611	-	221,611	378,442	-	378,442
Deferred compensation obligation (Notes 10 and 12)	-	-	-	773,211	-	773,211
Charitable gift annuity obligation (Note 12)	706,978	-	706,978	739,537	-	739,537
Total liabilities	16,808,530	7,019	16,815,549	11,107,698	5,447	11,113,145
Commitments (Notes 6 and 10)						
Net assets						
Net assets without donor restrictions:						
Internally designated for reserves	7,100,000	-	7,100,000	7,300,000	-	7,300,000
Internally designated for research	31,614,497	-	31,614,497	23,967,362	-	23,967,362
Represented by fixed assets	1,329,279	-	1,329,279	1,384,743	-	1,384,743
Total net assets without donor restrictions	40,043,776	-	40,043,776	32,652,105	-	32,652,105
Net assets with donor restrictions (Note 8)	-	53,242,347	53,242,347	-	94,923,682	94,923,682
Net assets with donor restrictions - RD fund (Note 8)	-	56,295,787	56,295,787	-	-	-
Net assets with donor restrictions - endowments (Note 8)	-	3,381,828	3,381,828	-	3,256,748	3,256,748
Total net assets with donor restrictions (Notes 5, 8 and 13)	-	112,919,962	112,919,962	-	98,180,430	98,180,430
Total net assets	40,043,776	112,919,962	152,963,738	32,652,105	98,180,430	130,832,535
Total liabilities and net assets	\$ 56,852,306	\$ 112,926,981	\$ 169,779,287	\$ 43,759,803	\$ 98,185,877	\$ 141,945,680

See notes to consolidated financial statements.

Foundation Fighting Blindness, Inc. and Affiliates

Consolidated Statements of Activities Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Public support: (Note 7)						
Contribution from individuals, corporations and foundations	\$ 4,647,892	\$ 32,531,294	\$ 37,179,186	\$ 3,807,274	\$ 3,988,643	\$ 7,795,917
Special events	8,697,906	-	8,697,906	7,588,085	-	7,588,085
Less special event direct benefit costs	(1,662,827)	-	(1,662,827)	(1,178,109)	-	(1,178,109)
Special events, net	7,035,079	-	7,035,079	6,409,976	-	6,409,976
Planned giving	4,763,763	421,533	5,185,296	5,229,785	2,511,572	7,741,357
Allocated by federated fundraising organizations	173,033	3,563	176,596	181,188	3,911	185,099
Contributed goods and services	515,754	-	515,754	173,049	-	173,049
Total public support	17,135,521	32,956,390	50,091,911	15,801,272	6,504,126	22,305,398
Other revenue:						
Program service fees	171,550	-	171,550	292,546	-	292,546
Investment income, net (Note 2)	5,271,932	208,731	5,480,663	250,374	37,384	287,758
Contract revenue	60,000	-	60,000	231,600	-	231,600
Research patent revenue	191,504	-	191,504	626	-	626
Other income	32,555	-	32,555	34,278	-	34,278
Net assets released from restrictions:						
Satisfaction of time and program restrictions (Note 8)	18,425,589	(18,425,589)	-	22,556,345	(22,556,345)	-
Total revenue and support	41,288,651	14,739,532	56,028,183	39,167,041	(16,014,835)	23,152,206
Expenses:						
Program services:						
Research	23,048,778	-	23,048,778	20,550,350	-	20,550,350
Public health education	1,689,116	-	1,689,116	2,324,088	-	2,324,088
Total program services	24,737,894	-	24,737,894	22,874,438	-	22,874,438
Supporting services:						
Management and general	2,079,430	-	2,079,430	2,564,961	-	2,564,961
Fundraising	7,079,656	-	7,079,656	6,562,711	-	6,562,711
Total supporting services	9,159,086	-	9,159,086	9,127,672	-	9,127,672
Total expenses	33,896,980	-	33,896,980	32,002,110	-	32,002,110
Change in net assets	7,391,671	14,739,532	22,131,203	7,164,931	(16,014,835)	(8,849,904)
Net assets, beginning of year	32,652,105	98,180,430	130,832,535	25,487,174	114,195,265	139,682,439
Net assets, end of year	\$ 40,043,776	\$ 112,919,962	\$ 152,963,738	\$ 32,652,105	\$ 98,180,430	\$ 130,832,535

See notes to consolidated financial statements.

Foundation Fighting Blindness, Inc. and Affiliates

Consolidated Statements of Functional Expenses Years Ended June 30, 2019 and 2018

	2019							2018						
	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	\$ 1,530,360	\$ 369,212	\$ 1,899,572	\$ 803,213	\$ 3,055,526	\$ 3,858,739	\$ 5,758,311	\$ 1,191,681	\$ 734,392	\$ 1,926,073	\$ 1,127,822	\$ 2,968,398	\$ 4,096,220	\$ 6,022,293
Employee benefits	187,325	55,190	242,515	132,404	430,799	563,203	805,718	98,995	115,996	214,991	168,829	417,972	586,801	801,792
Payroll taxes	90,859	25,747	116,606	54,176	215,075	269,251	385,857	70,185	51,627	121,812	76,492	213,314	289,806	411,618
Total salaries and related expenses	1,808,544	450,149	2,258,693	989,793	3,701,400	4,691,193	6,949,886	1,360,861	902,015	2,262,876	1,373,143	3,599,684	4,972,827	7,235,703
Professional fees	826,854	748,104	1,574,958	291,937	995,674	1,287,611	2,862,569	826,975	195,404	1,022,379	403,129	525,643	928,772	1,951,151
Printing and production	10,912	111,788	122,700	36,689	579,799	616,488	739,188	17,312	143,133	160,445	17,027	623,203	640,230	800,675
Travel	105,618	46,044	151,662	51,333	203,230	254,563	406,225	62,509	106,585	169,094	35,148	228,586	263,734	432,828
Conferences and meetings	181,875	153,785	335,660	137,425	67,749	205,174	540,834	196,835	836,942	1,033,777	96,513	81,124	177,637	1,211,414
Occupancy	65,580	94,448	160,028	128,625	412,435	541,060	701,088	40,855	40,855	81,710	113,390	436,084	549,474	631,184
Telecommunications	35,676	23,911	59,587	83,508	126,217	209,725	269,312	22,324	25,868	48,192	49,954	149,259	199,213	247,405
Supplies	32,988	13,087	46,075	83,977	387,254	471,231	517,306	83,286	8,178	91,464	111,276	145,853	257,129	348,593
Insurance	132,996	10,493	143,489	22,485	102,611	125,096	268,585	24,553	24,553	49,106	31,893	105,942	137,835	186,941
Depreciation and amortization	109,904	15,224	125,128	31,369	100,036	131,405	256,533	105,012	15,565	120,577	38,482	76,915	115,397	235,974
Postage	3,682	21,738	25,420	13,287	223,622	236,909	262,329	1,731	24,990	26,721	17,888	256,096	273,984	300,705
Bank charges, service fees and other	42,403	345	42,748	209,002	179,629	388,631	431,379	30,929	-	30,929	277,118	334,322	611,440	642,369
Total expenses before grants and clinical trial related costs	3,357,032	1,689,116	5,046,148	2,079,430	7,079,656	9,159,086	14,205,234	2,773,182	2,324,088	5,097,270	2,564,961	6,562,711	9,127,672	14,224,942
Grants and clinical trial related costs	19,691,746	-	19,691,746	-	-	-	19,691,746	17,777,168	-	17,777,168	-	-	-	17,777,168
Total expenses	\$ 23,048,778	\$ 1,689,116	\$ 24,737,894	\$ 2,079,430	\$ 7,079,656	\$ 9,159,086	33,896,980	\$ 20,550,350	\$ 2,324,088	\$ 22,874,438	\$ 2,564,961	\$ 6,562,711	\$ 9,127,672	32,002,110
Special event direct benefit costs							1,662,827							1,178,109
Total expenses and special event direct benefit costs							\$ 35,559,807							\$ 33,180,219

See notes to consolidated financial statements.

Foundation Fighting Blindness, Inc. and Affiliates

Consolidated Statements of Cash Flows Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 22,131,203	\$ (8,849,904)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Net realized and unrealized (gain) loss on investments	(599,048)	4,264,550
Loss on equity method investment	1,102,189	654,044
Change in aggregate discount and allowance for doubtful pledges receivable	(187,571)	(496,983)
Change in value of split-interest agreements	(327,006)	(205,957)
Depreciation and amortization	256,533	235,974
Amortization of deferred construction allowance	77,351	77,351
Changes in assets and liabilities:		
Decrease in:		
Pledges receivable	3,135,821	6,745,131
Prepaid expenses and other assets	90,829	493,925
Increase (decrease) in:		
Accounts payable and accrued expenses	(263,568)	1,047,993
Grants payable	7,138,312	(3,825,451)
Deferred revenue	(209,739)	(300,124)
Deferred rent	(234,182)	(221,426)
Deferred compensation obligation	(773,211)	(158,579)
Net cash provided by (used in) operating activities	31,337,913	(539,456)
Cash flows from investing activities:		
Purchase of investments	(42,756,677)	(50,779,362)
Purchase of investments for deferred compensation	(442,742)	(756,315)
Proceeds from sales or maturities of investments	5,960,455	50,706,883
Proceeds from sales of investments for deferred compensation	1,215,953	914,894
Advances on note receivable	-	(500,000)
Termination of split-interest agreement assets	20,958	7,613
Purchase of split-interest agreement assets	(2,475)	(36,526)
Proceeds from sales of split-interest agreement assets	88,094	96,241
Purchase of property, plant, and equipment	(201,069)	(62,539)
Net cash used in investing activities	(36,117,503)	(409,111)
Cash flows from financing activities:		
Liability related to charitable gift annuity	11,502	75,666
Payments to charitable gift annuity beneficiaries	(98,540)	(98,532)
Termination of charitable gift annuity	(24,263)	(11,103)
Net cash used in financing activities	(111,301)	(33,969)
Net decrease in cash and cash equivalents	(4,890,891)	(982,536)
Cash and cash equivalents:		
Beginning of period	10,483,476	11,466,012
End of period	\$ 5,592,585	\$ 10,483,476

See notes to consolidated financial statements.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018**

1. Organization and Summary of Significant Accounting Policies

Organization

Foundation Fighting Blindness, Inc. (FFB) 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. FFB also serves as a source of information for professionals and affected families. Its principal programs include:

- Research – FFB 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. FFB'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 FFB'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, 2019 and 2018**

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 FFB provides a critical bridge between the laboratory and the marketplace by funding the preliminary research and testing.

- Chatlos Public Health Education Program – FFB 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. FFB 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.

FFB’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.

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018**

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

Organization (continued)

FFB's affiliates are as follows:

Foundation Fighting Blindness Retinal Degeneration Fund (FFB RD Fund), previously known as Foundation Fighting Blindness Clinical Research Institute, a supporting organization, 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 FFB and the FFB RD Fund (collectively referred to as the Foundation). 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, 2019 and 2018.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018**

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

Classification of Net Assets

The Foundation'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 or 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 net assets without donor restrictions 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, 2019 and 2018**

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 Foundation'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, an investment in Sparing Vision, a startup program related investment, an investment in Nayan Therapeutics, Inc. (f/k/a PhotoRegulon Therapeutics Inc.) and Vedere Bio, Inc.

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.

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018**

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 market 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).

On December 21, 2017 and July 19, 2016, FFB RD Fund provided equity funding in the amount of \$3,178,834 and \$1,052,695, respectively, for a subscription of 26,888 and 9,500, respectively of preferred class A shares of Sparing Vision, a French company created to develop potential vision saving treatments. FFB RD Fund has committed to invest up to €7,000,000 in the company based on accomplishments of certain research milestones. The Foundation accounts for its investment in Sparing Vision using the equity method of accounting, and the June 30, 2019 and June 30, 2018 balances were \$2,202,666 and \$3,394,925, respectively. The remaining commitment was approximately €3,361,200 at June 30, 2019. An unrealized loss of \$1,102,189 and \$654,044 was recognized for the years ended June 30, 2019 and 2018, respectively. The unrealized loss is recorded in research expense on the consolidated statements of activities.

On February 4, 2019, FFB RD Fund provided funding in the amount of \$500,000 for 1,000,000 preferred class A shares of Nayan Therapeutics Inc., f/k/a PhotoRegulon Therapeutics Inc., (Nayan) on initial closing. The Foundation accounts for its investments in Nayan using the cost method of accounting and the June 30, 2019 balance is \$500,000. There were no dividends received as of June 30, 2019.

On June 28, 2019, FFB RD Fund provided funding in the amount of \$928,571 for 829,081 preferred class A shares of Vedere Bio, Inc. (Vedere)

Continued

**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018**

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

Investments (continued)

on initial closing. The Foundation accounts for its investment in Vedere using the cost method of accounting and the June 30, 2019 balance is \$928,571. There were no dividends received as of June 30, 2019.

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, 2019 and 2018. The interest rate on the note is 5%. Interest accrues annually and is paid upon maturity. The Foundation can elect to convert the note and any accrued and unpaid interest into Class A Common Stock at any time. There is no additional investment commitment related to the promissory note.

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.

Valuation of Long-Lived Assets

The Foundation 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

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

Valuation of Long-Lived Assets (continued)

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 Foundation 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, 2019 and 2018, all grants payable were due within one year.

Revenue Recognition

Unconditional contributions received and unconditional promises to give are measured at their net realizable values and are reported as an increase in the appropriate net asset category. All contributions are considered available for unrestricted use, unless specifically restricted by the donor.

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

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

Revenue Recognition (continued)

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 2.5%. 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.

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

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

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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)

goods primarily include items donated for use at fundraising events and are included in net special events revenue in the consolidated statements of activities. In addition, services have been provided to the Foundation 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 \$882,000 and \$447,000 for the years ended June 30, 2019 and 2018, respectively.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain expenses are attributable to more than one program or supporting function.

These expenses are allocated consistently based on the following:

- Salaries, benefits and payroll taxes are allocated based on estimates of time and effort.
- Occupancy, telecommunications and insurance costs are based on staff headcount and staff effort.

While such estimates are not conducive to precise determination, and actual results could differ from these estimates, management believes the resulting allocations are reasonable.

**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)

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 Foundation 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 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

As of June 30, 2019 and 2018, the Foundation's investments (excluding certificates of deposit and the investment in Sparing Vision), certain split-interest agreements and deferred compensation investments, as described in Note 12 of these consolidated financial statements, were measured at fair value on a recurring basis and subject to the disclosure requirements of the *Fair Value Measurement* topic of the FASB ASC.

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.

Liquidity and Availability:

The Foundation is supported primarily by contributions. As part of the Foundation's liquidity management, the Board has designated an operating reserve equal to 6 months of operating expenses. The Foundation also has a line of credit with \$3,000,000 in unused funds available as of June 30, 2019. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, are comprised of the following as of June 30, 2019:

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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, 2019 are as follows:

Cash and cash equivalents	\$ 5,592,585
Investments	43,025,971
Pledges receivable	<u>3,729,912</u>
Total financial assets	<u>52,348,468</u>
Less:	
Internally designated amounts - reserves	(7,100,000)
Internally designated amounts - research	<u>(31,614,497)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,633,971</u>

Income Taxes

The Internal Revenue Service has ruled that FFB, FFB 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, 2019 and 2018, as the Foundation had no material taxable net unrelated business income.

The Foundation performed an evaluation of its uncertainty in income tax for the years ended June 30, 2019 and 2018, 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.

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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)

Income Taxes (continued)

The Foundation 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 Foundation 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 Foundation's tax positions and has concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this guidance.

Generally, the Foundation is no longer subject to income tax examinations for the U.S. federal, state or local tax authorities for years before June 30, 2016.

Reclassifications

Certain amounts for 2018 have been reclassified to conform to the 2019 consolidated financial statement presentation. The reclassifications had no impact on the change in net assets.

Accounting Pronouncements Adopted

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows.

**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018**

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

Accounting Pronouncements Adopted (continued)

The Foundation has implemented ASU No. 2016-14 and has adjusted the presentation of their consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented. As permitted by the ASU, the liquidity and availability disclosure is not presented on a comparative basis. As a result of the pronouncement application, net asset classifications have been reduced from three categories to two categories.

Accounting Pronouncements Pending

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU 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 amendments in this ASU are effective for the Foundation for fiscal year ending June 30, 2020. The impact of adopting ASU No. 2014-09 on the Foundation's consolidated financial statements for subsequent periods has not yet been determined.

In February, 2015, 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 liabilities are not recognized and lease payments are generally recognized as expense over the lease term on a straight-line basis.

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**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018**

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

Accounting Pronouncements Pending (continued)

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. The new guidance is effective for the Foundation for fiscal year ending June 30, 2021. Management is evaluating the impact of this standard on the Foundation's consolidated financial statements.

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*, which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional contributions and unconditional contributions. The updated standard will be effective for the Foundation for fiscal year ending June 30, 2020 for contributions received and for fiscal year ending June 30, 2021 for contributions made. Early adoption is permitted. The Foundation's management has not yet evaluated the impact of this ASU on its consolidated financial statements.

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 requires equity securities, except those accounted for under the equity method of accounting or those that result in consolidation of the investee, to be measured at fair value, with unrealized holding gains and losses reflected in the change in net assets.

**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018**

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

Accounting Pronouncements Pending (continued)

Certain entities can make an election on a security-by-security basis to account for qualifying equity securities that do not have readily determinable fair values at cost, with adjustments for impairment, and observable price changes. The updated standard will be effective for the Foundation for fiscal year ending June 30, 2020. Early adoption is permitted. The Foundation's management has not yet evaluated the impact of this ASU on its 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 restriction to be held in perpetuity are invested. Investments are managed according to the estimated timing of cash flow needs.

As of June 30, 2019 and 2018, investments consisted of the following:

	2019	2018
Cash and money market funds	\$ 1,549,333	\$ 3,862,784
Government mortgage-backed securities	76,920,734	73,036,665
Equities and fixed income	3,456,071	-
Certificates of deposit	41,308,278	10,253,233
Investment in Sparing Vision	2,202,666	3,394,925
Investment in Vedere Bio	928,571	-
Investment in Nayan	500,000	-
Total investments	\$ 126,865,653	\$ 90,547,607

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**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018**

2. Investments (continued)

A summary of the return on investments, other than investment in Sparing Vision, is as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Interest and dividends	\$ 5,279,923	\$ 4,842,090
Net unrealized gains (losses)	2,641,527	(1,863,882)
Net realized losses	(2,042,479)	(2,400,668)
Investment fees	(308,775)	(296,850)
Net investment income	<u>\$ 5,570,196</u>	<u>\$ 280,690</u>

For the investment in Sparing Vision, an unrealized loss of \$1,102,189 and \$654,044 was recognized for the years ended June 30, 2019 and 2018, respectively. Sparing Vision had a foreign currency translation adjustment of \$89,533 and \$7,068 for the years ended June 30, 2019 and 2018, respectively. There was no gain or loss on the Foundation's investments in Vedere or Nayan as of June 30, 2019. The unrealized loss is recorded in research expense on the consolidated statements of activities.

3. Pledges Receivable

Pledges receivable are discounted to their net present value using a discount rate of 1.7%.

As of June 30, 2019 and 2018, pledges receivable were expected to be collected as follows:

	2019	2018
Due in less than 1 year	\$ 15,152,121	\$ 12,288,869
Due in 1 to 5 years	12,555,024	18,554,097
	<u>27,707,145</u>	<u>30,842,966</u>
Less: Discount to present value	(283,804)	(354,415)
Less: Allowance for doubtful pledges receivable	(1,168,540)	(1,285,500)
Net pledges receivable	<u>\$ 26,254,801</u>	<u>\$ 29,203,051</u>

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**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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4. Split-Interest Agreements

The Foundation'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 Foundation's assets, and the payments are a general obligation of the Foundation. The Foundation 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 Foundation has fully insured these annuities with highly rated insurance companies to protect its risk. In addition, the Foundation has separate reserve accounts held in order to comply with certain state insurance laws. The balance of the separate reserve accounts totaled \$267,075 and \$261,712 at June 30, 2019 and 2018, respectively. The annuities and required reserves are included in charitable gift annuity investments and reserves in the accompanying consolidated statements of financial position. The Foundation 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 Foundation 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 Foundation'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 Foundation for general use.

**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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4. Split-Interest Agreements (continued)

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, 2019 and 2018, the discount rate used was 2.8% and 3.4%, 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 by \$327,006 and \$205,957 for the years ended June 30, 2019 and June 30, 2018, 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 Foundation. Upon the death of the surviving beneficiary, the Fund's principal passes to the Foundation 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, 2019 and 2018, the discount rate was 2.0% and 1.0%, 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Research facility	\$ 3,577,430	\$ 3,577,430
Furniture and equipment	1,325,749	1,467,646
Leasehold improvements	867,698	867,698
Total property, plant, and equipment	<u>5,770,877</u>	<u>5,912,774</u>
Less accumulated depreciation and amortization	(4,441,598)	(4,528,031)
Net property, plant, and equipment	<u>\$ 1,329,279</u>	<u>\$ 1,384,743</u>

The Foundation leases land from a university on which the Foundation has built a research facility. The Foundation 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 Foundation. 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 Foundation leases office space throughout the country. All leases are non-cancellable and expire August 2020 (MD), November 2021 (CA), June 2023 (IL) and December 2020 (NY).

Under the terms of certain office space leases, the lessors provided the Foundation 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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6. Commitments and Contingencies (continued)

Operating Lease (continued)

Under 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, 2019:

Years ending June 30:	
2020	\$ 750,025
2021	328,566
2022	116,667
2023	72,829
Total	<u><u>\$ 1,268,087</u></u>

Occupancy expense totaled \$701,088 and \$631,184 for the years ended June 30, 2019 and 2018, respectively.

Line of Credit

The Foundation 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 Foundation purposes and is available through March 31, 2020. At June 30, 2019 and 2018, 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, 2019 and 2018. Any borrowings under the line of credit are subject to certain financial covenants and collateralized by the Foundation's equipment and general intangibles. The agreement also includes a covenant that the Foundation 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, 2019 and 2018**

6. Commitments and Contingencies (continued)

Research Grants

FFB has entered into grants with conditional renewal options including milestones. As of June 30, 2019, total conditional research commitments, including milestone contracts, were \$35,400,000, which will be recognized in the consolidated financial statements when the conditions have been substantially met.

7. Concentration of Risk

The Foundation 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. As of June 30, 2019 and 2018, there was approximately \$6,690,000 and \$11,780,000 in excess of the FDIC insured limit, respectively, which was needed to cover outstanding checks and upcoming grant payments. The Foundation 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 Foundation received approximately 27% and 8% of its total public support from its Board of Directors and national trustees during the years ended June 30, 2019 and 2018, respectively. Approximately 52% and 51% as of June 30, 2019 and 2018, respectively, of the Foundation's net pledges receivable is from one donor.

**FOUNDATION FIGHTING BLINDNESS, INC.
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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:

	2019	2018
Subject to expenditure for specific purpose		
Research	\$ 44,736,933	\$ 88,367,527
Research - RD Fund	56,295,787	-
General operations in future period	8,255,389	6,528,792
Chatlos Public Health Education Program	250,025	27,363
	109,538,134	94,923,682
 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	519,205	500,000
General operations	2,862,623	2,756,748
	3,381,828	3,256,748
Total net assets with donor restrictions	\$ 112,919,962	\$ 98,180,430

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 Foundation's spending policy.

Purpose restrictions accomplished or time restrictions met were as follows:

	2019	2018
Specific purpose restrictions accomplished:		
Research	\$ 17,948,428	\$ 22,103,825
Chatlos Public Health Education Program	293,513	315,135
General operations - satisfaction of time	99,997	100,001
Endowment	83,651	37,384
Total restrictions released	\$ 18,425,589	\$ 22,556,345

**FOUNDATION FIGHTING BLINDNESS, INC.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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9. Thrift Savings Plan

The Foundation 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 Foundation 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 Foundation over a four-year period. The Foundation's contributions to the plan totaled \$248,009 and \$127,999 for the years ended June 30, 2019 and 2018, respectively.

10. Deferred Compensation

The Foundation had a deferred compensation plan for its senior staff. The plan was a nonqualified retirement plan under Section 457 of the IRC. Under the terms of the agreement, participants could elect to defer salary until retirement, as allowed under the law, and are vested under the Foundation's policies. The Foundation did not make any contributions to the deferred compensation plan during the years ended June 30, 2019 and 2018. Plan assets for the 457 plan are not held in trust for plan participants but remain the property of the employer and are therefore recorded as equal amounts of deferred compensation fund assets and deferred compensation liability on the consolidated statements of financial position. Plan assets and liabilities were \$773,211 as of June 30, 2018. The plan was terminated in December 2018 and plan participants were paid out in lump sum.

11. Related Party Transactions

Given the Foundation'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 Foundation's operations and the research supporting the Foundation's mission. The Foundation'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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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11. Related Party Transactions (continued)

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, 2019 and 2018, the Foundation committed funds in the amount of \$5,454,273 and \$3,825,701, respectively, to research projects whose principal research investigators also serve as scientific experts.

12. Fair Value Measurement

The following table summarizes the Foundation'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	<u>\$ 89,401,986</u>	<u>\$ 5,298,606</u>	<u>\$ 77,567,097</u>	<u>\$ 6,536,283</u>
Liabilities:				
Annuity obligations	\$ 706,978	\$ -	\$ 706,978	\$ -
Total liabilities	<u>\$ 706,978</u>	<u>\$ -</u>	<u>\$ 706,978</u>	<u>\$ -</u>

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018**

12. Fair Value Measurement (continued)

The following table summarizes the Foundation's assets and liabilities measured at fair value on a recurring basis as of June 30, 2018:

	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	\$ 3,862,784	\$ 3,862,784	\$ -	\$ -
Government mortgage-backed securities	73,036,665	-	73,036,665	-
Pooled income fund	24,965	24,965	-	-
Beneficial interests in remainder trusts	6,209,277	-	-	6,209,277
Investments for deferred compensation	773,211	773,211	-	-
Reserves for charitable gift annuity	941,273	261,712	679,561	-
Total assets:	<u>\$ 84,848,175</u>	<u>\$ 4,922,672</u>	<u>\$ 73,716,226</u>	<u>\$ 6,209,277</u>
Liabilities:				
Annuity obligations	\$ 739,537	\$ -	\$ 739,537	\$ -
Deferred compensation obligations	773,211	-	773,211	-
Total liabilities	<u>\$ 1,512,748</u>	<u>\$ -</u>	<u>\$ 1,512,748</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 \$41,308,278 and \$10,253,233, held in the Foundation's investment portfolio at June 30, 2019 and 2018, respectively, have been excluded from this table. The Foundation used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value:

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018**

12. Fair Value Measurement (continued)

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 and investments for deferred compensation – The pooled income fund and investments held for deferred compensation consist primarily of fixed-income and equity mutual funds that are valued at the net asset value of shares held by the Foundation 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 Foundation'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 Foundation'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, 2019 and 2018**

12. 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, 2019 and 2018:

	Beneficial Interests in Remainder Trusts
Balance, June 30, 2017	\$ 6,003,320
Change in value of existing split-interest agreements	205,957
Balance, June 30, 2018	6,209,277
Change in value of existing split-interest agreements	327,006
Balance June 30, 2019	\$ 6,536,283

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.

13. Endowment Funds

The Foundation'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, 2019 and 2018, net assets with donor restrictions to be held in perpetuity totaled \$3,381,828 and \$3,256,748, respectively and the income earned on these net assets was restricted by the donors for research or general operations. Earnings from the fund totaled \$208,731 and \$37,384 in 2019 and 2018, 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.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018**

13. Endowment Funds (continued)

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Foundation to appropriate for expenditure or accumulate so much of an endowment fund as the Foundation 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 Foundation 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 Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the preservation of the fund, the purposes of the donor-restricted endowment fund and the investment policies of the Foundation in making a determination to appropriate or accumulate donor-restricted endowment funds.

Return Objectives, Risk Parameters and Strategies Employed

The Foundation 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 Foundation 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, 2019 and 2018**

13. 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 Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2019 or 2018.

Changes in endowment net assets are as follows for the years ended June 30, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2017	\$ -	\$ 3,256,748	\$ 3,256,748
Investment income	-	37,384	37,384
Appropriations	-	(37,384)	(37,384)
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

14. Subsequent Events

In preparing these consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 22, 2019, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

Foundation Fighting Blindness, Inc. and Affiliates

Consolidating Statement of Financial Position
June 30, 2019

	FFB			FFB	Eliminating	Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	RD Fund Without Donor Restrictions		Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Assets								
Cash and cash equivalents	\$ 5,288,017	\$ -	\$ 5,288,017	\$ 304,568	\$ -	\$ 5,592,585	\$ -	\$ 5,592,585
Investments	39,394,734	83,839,682	123,234,416	3,631,237	-	43,025,971	83,839,682	126,865,653
Note receivable	500,000	-	500,000	-	-	500,000	-	500,000
Pledges receivable, net	3,729,912	22,524,889	26,254,801	-	-	3,729,912	22,524,889	26,254,801
Prepaid expenses and other assets	2,010,937	26,127	2,037,064	101,239	(351,055)	1,761,121	26,127	1,787,248
Beneficial interests in remainder trusts	-	6,536,283	6,536,283	-	-	-	6,536,283	6,536,283
Deferred compensation fund	-	-	-	-	-	-	-	-
Charitable gift annuity investments and reserves	913,438	-	913,438	-	-	913,438	-	913,438
Property, plant and equipment, net	1,329,279	-	1,329,279	-	-	1,329,279	-	1,329,279
Total assets	\$ 53,166,317	\$ 112,926,981	\$ 166,093,298	\$ 4,037,044	\$ (351,055)	\$ 56,852,306	\$ 112,926,981	\$ 169,779,287
Liabilities and Net Assets								
Liabilities:								
Accounts payable	\$ 1,535,207	\$ 7,019	\$ 1,542,226	\$ 398,800	\$ (351,055)	\$ 1,582,952	\$ 7,019	\$ 1,589,971
Grants payable	13,980,632	-	13,980,632	-	-	13,980,632	-	13,980,632
Deferred revenue	316,357	-	316,357	-	-	316,357	-	316,357
Deferred rent and construction allowance	221,611	-	221,611	-	-	221,611	-	221,611
Charitable gift annuity obligation	706,978	-	706,978	-	-	706,978	-	706,978
Total liabilities	16,760,785	7,019	16,767,804	398,800	(351,055)	16,808,530	7,019	16,815,549
Net assets:								
Net assets without donor restrictions:								
Internally designated for reserves	3,461,756	-	3,461,756	3,638,244	-	7,100,000	-	7,100,000
Internally designated for research	31,614,497	-	31,614,497	-	-	31,614,497	-	31,614,497
Represented by fixed assets	1,329,279	-	1,329,279	-	-	1,329,279	-	1,329,279
Total net assets without donor restrictions	36,405,532	-	36,405,532	3,638,244	-	40,043,776	-	40,043,776
Net assets with donor restrictions	-	53,242,347	53,242,347	-	-	-	53,242,347	53,242,347
Net assets with donor restrictions - RD fund	-	56,295,787	56,295,787	-	-	-	56,295,787	56,295,787
Net assets with donor restrictions - endowments	-	3,381,828	3,381,828	-	-	-	3,381,828	3,381,828
Total net assets with donor restrictions	-	112,919,962	112,919,962	-	-	-	112,919,962	112,919,962
Total net assets	36,405,532	112,919,962	149,325,494	3,638,244	-	40,043,776	112,919,962	152,963,738
Total liabilities and net assets	\$ 53,166,317	\$ 112,926,981	\$ 166,093,298	\$ 4,037,044	\$ (351,055)	\$ 56,852,306	\$ 112,926,981	\$ 169,779,287