

Eversight and Subsidiary

Financial Statements

December 31, 2018



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Independent Auditors' Report

Management and the Board of Directors
Eversight and Subsidiary
Ann Arbor, Michigan

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Eversight and Subsidiary which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related consolidated notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Eversight and Subsidiary as of December 31, 2018, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 2 to the consolidated financial statements, Eversight and Subsidiary changed its method of accounting for net assets, investment expense, and functional expenses in 2018 as required by the provisions of FASB Accounting Standards Update 2016-14 Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities is presented for purposes of additional analysis 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Yeo & Yeo, P.C.

Ann Arbor, Michigan
June 13, 2019

Eversight and Subsidiary
Consolidated Statement of Financial Position
December 31, 2018

Assets

Current assets	
Cash and cash equivalents	\$ 2,347,399
Accounts receivables, net	2,662,164
Unconditional pledges to give, net	37,175
Interest receivable	23,196
Prepaid expenses	60,811
Other assets	<u>13,967</u>
Total current assets	5,144,712
Deposits	332,545
Investments	6,453,805
Property and equipment, net	<u>2,186,515</u>
Total assets	<u>\$ 14,117,577</u>

Liabilities and Net Assets

Current liabilities	
Accounts payable	\$ 822,334
Current portion of mortgage payable	148,500
Accrued liabilities	<u>1,398,020</u>
Total current liabilities	2,368,854
Long-term mortgage payable, net of current portion	349,000
Deferred rent	<u>97,526</u>
Total liabilities	<u>2,815,380</u>

Net assets

Without donor restrictions	
Undesignated	3,600,227
Board designated capital reserve	700,000
Board designated endowments	87,134
Board designated scholarships	100,000
Board designated investment fund	<u>6,462,344</u>
Total without donor restrictions	<u>10,949,705</u>
With donor restrictions	
Perpetual in nature	91,953
Purpose restrictions	<u>260,539</u>
Total with donor restrictions	<u>352,492</u>
Total net assets	<u>11,302,197</u>
Total liabilities and net assets	<u>\$ 14,117,577</u>

See Accompanying Notes to the Consolidated Financial Statements

Eversight and Subsidiary
Consolidated Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and program revenues			
Public support			
Contributions	\$ 511,589	\$ 394,372	\$ 905,961
Program revenues			
Eye tissue processing fees	21,405,504	-	21,405,504
Midwire processing fees	200,880	-	200,880
Other income	189,420	-	189,420
Total program revenues	21,795,804	-	21,795,804
Net assets released from restrictions	575,507	(575,507)	-
Total public support and program revenues	22,882,900	(181,135)	22,701,765
Expenses			
Program services			
Tissue procurement and processing program	15,473,412	-	15,473,412
Education program	377,835	-	377,835
Research program	1,475,615	-	1,475,615
Total program services	17,326,862	-	17,326,862
Support services			
Administration	4,655,229	-	4,655,229
Fundraising	1,156,862	-	1,156,862
Total support services	5,812,091	-	5,812,091
Total expenses	23,138,953	-	23,138,953
Program net loss	(256,053)	(181,135)	(437,188)
Nonoperating income			
Net investment earnings	(153,080)	-	(153,080)
Change in net assets	(409,133)	(181,135)	(590,268)
Net assets - beginning of year	11,358,838	533,627	11,892,465
Net assets - end of year	\$ 10,949,705	\$ 352,492	\$ 11,302,197

See Accompanying Notes to the Consolidated Financial Statements

Eversight and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services Expenses				Supporting Services Expenses		Total Supporting Services	Total
	Tissue Program	Education Program	Research Program	Total Program Services	Administration	Fundraising		
Functional Expenses								
Salaries and related expenses	\$ 7,250,657	\$ 215,347	\$ 955,334	\$ 8,421,338	\$ 3,542,294	\$ 860,517	\$ 4,402,811	\$ 12,824,149
Clinical lab and technical fees	5,409,385	-	260,073	5,669,458	-	-	-	5,669,458
Public and professional education	73,299	84,551	6,341	164,191	6,244	12,934	19,178	183,369
Research grants and awards	-	-	93,944	93,944	-	-	-	93,944
Business development	170,255	258	23,688	194,201	45,363	1,032	46,395	240,596
Conferences and meetings	79,474	2,603	10,935	93,012	52,781	10,401	63,182	156,194
Travel	98,735	925	13,940	113,600	67,417	3,697	71,114	184,714
Bad debt expense	54,544	-	-	54,544	-	-	-	54,544
Depreciation	540,418	10,488	15,732	566,638	75,372	28,842	104,214	670,852
Professional fees	292,204	-	15,006	307,210	267,377	-	267,377	574,587
Rent and utilities	761,172	26,406	41,499	829,077	166,046	72,616	238,662	1,067,739
Tax expense	9	-	1	10	2	1	3	13
Insurance	120,824	5,483	2,189	128,496	21,282	14,265	35,547	164,043
Supplies	38,188	1,737	2,308	42,233	7,395	4,776	12,171	54,404
Membership dues	201,459	-	-	201,459	-	-	-	201,459
Postage and shipping	13,288	865	618	14,771	7,512	2,378	9,890	24,661
Interest and finance charges	3,118	112	169	3,399	34,315	309	34,624	38,023
Printing and publications	25,136	11,885	11,464	48,485	-	421	421	48,906
Equipment rental and maintenance	243,306	7,129	16,729	267,164	60,146	20,420	80,566	347,730
Licenses and registrations	90,993	10,013	5,003	106,009	20,698	27,535	48,233	154,242
Miscellaneous	6,948	33	642	7,623	280,985	132	281,117	288,740
Special events	-	-	-	-	-	96,586	96,586	96,586
Total	\$ 15,473,412	\$ 377,835	\$ 1,475,615	\$ 17,326,862	\$ 4,655,229	\$ 1,156,862	\$ 5,812,091	\$ 23,138,953

See Accompanying Notes to the Consolidated Financial Statements

Eversight and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2018

Cash flows from operating activities

Change in net assets	\$ (590,268)
Items not requiring cash	
Depreciation	670,852
Bad debt expense	54,544
Deferred rent	(27,559)
Realized and unrealized loss on investment, net	257,264
Changes in operating assets and liabilities	
Accounts receivables	700,138
Unconditional pledges to give	(7,197)
Interest receivable	5,204
Prepaid expenses	1,427
Other assets	4,411
Deposits	(14,182)
Accounts payable	(113,723)
Deferred revenue	(510)
Accrued liabilities	(96,664)
	<u>843,737</u>
Net cash provided by operating activities	<u>843,737</u>

Cash flows from investing activities

Change in joint venture land investment receivable	577,489
Purchase of property and equipment	(96,910)
Purchase of investments	(118,657)
Proceeds from sale of investments	657,268
	<u>1,019,190</u>
Net cash provided by investing activities	<u>1,019,190</u>

Cash flows from financing activities

Repayments of line of credit	(500,000)
Repayments of long-term debt	(140,000)
	<u>(640,000)</u>
Net cash used by financing activities	<u>(640,000)</u>

Change in cash and cash equivalents 1,222,927

Cash and cash equivalents - beginning of year 1,124,472

Cash and cash equivalents - end of year \$ 2,347,399

Supplemental information

Cash paid during the year for interest	<u>\$ 33,612</u>
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Eversight and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2018

Note 1 - Organization

Eversight has served its communities for nearly 70 years and grown into one of the world's foremost nonprofit organizations with the mission to restore sight and prevent blindness through the healing power of donation, transplantation and research. With offices in Connecticut, Illinois, Michigan, New Jersey, Ohio and South Korea, Eversight provides human eye tissue for more than 8,600 people each year, including 3,400 patients outside the United States.

In the pursuit to eliminate corneal blindness, the Eversight Center for Eye and Vision Research was created as one of the only eye bank-led programs providing clinician-scientists the innovative resources they need to find cures and treatments for eye diseases like macular degeneration, diabetic retinopathy and glaucoma. Eversight delivers more than 3,000 tissues for research and education annually and has awarded \$3 million to research partners since 1980. Eversight seeks to change the future of eye and vision research with the launch of its Eye Disease Donor Registry and Biorepository in 2017. Through the program, Eversight will collect, process, store and distribute ocular tissue that matches the specific needs of researchers, accelerating new cures and treatments for blinding eye conditions.

While Eversight is supporting research and expanding patient care options, it is also building sustainable eye banking infrastructures in underserved nations by partnering with local professionals and government organizations in China, the Middle East, Pakistan and South Korea. Through these partnerships, Eversight provides access to safe, transplantable tissue as well as training and other resources necessary to create local donation and transplantation programs.

Eversight is also invested in increasing acceptance for eye, organ and tissue donation through its Gift of Knowledge Program — conducting nearly 1,000 educational programs annually to share the important and inspiring message of donation and becoming a registered eye, organ and tissue donor. With the aid of more than 500 dedicated volunteers — including cornea recipients, donor families and healthcare professionals — Eversight helped the National Donor Registry grow to more than 130 million registered donors.

Parent corporation — A corporation that:

- (1) Is the sole member of each of the subsidiary corporations;
- (2) Provides administrative services for the subsidiary corporations; and
- (3) Owns the building at 4889 Venture Drive and the office equipment and related personal property required for its administrative services.

The mission of Eversight and Subsidiaries (the Organization, formerly Midwest Eye-Banks and Subsidiaries) is to restore sight. The Organizations, operating in Michigan as Eversight, and Eversight International are nonprofit organizations which recover, process, and distribute eye tissue (primarily corneas) for sight-restoring transplantation. When donated eye tissue is not suitable for transplant, it may be distributed by the Organization to academic settings for research or training purposes.

Eversight and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2018

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Principles of Consolidation

The 2018 consolidated financial statements include the financial information of Eversight and Eversight International. All inter-entity balances and transactions have been eliminated.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Organization considers as cash and cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

The Organization maintains cash accounts at an area financial institution. The carrying amount of the Organization's deposits with financial institutions at year end was \$2,347,399. The actual bank balances amounted to \$2,505,695. Of these balances, \$2,247,638 was not insured by the Federal Deposit Insurance Corporation.

Revenue Recognition

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or purpose by the donor are reported as increases in net assets with donor restrictions. Contributions received with time or purpose restrictions that are met in the same reporting period are reported as support without donor restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

Pledges receivable in the accompanying statement of financial position consist of unconditional promises to give, which are recorded at their net realizable value at the time the promises are received. These promises to give are reflected as either current or long-term receivables on the statement of financial position.

Eversight and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2018

Eye tissue processing fees are recognized when eye tissue is shipped to the end customer.

Charity Care

Eversight proudly fulfills 100 percent of charitable care requests in its communities with the Eversight Gift of Sight Program, ensuring individuals seeking cornea transplants receive treatment for their sight regardless of financial constraints. Patients are selected based on an analysis of financial information obtained from the patient. As the organization does not expect payment, the estimated charges for services are not included in net revenue. Tissue services are also offered at no cost to surgeons traveling abroad for medical mission trips to help people in parts of the world lacking access to adequate eye care. Total charitable care services for the year ended December 31, 2018 was \$278,450.

Accounts Receivable

The Organization's accounts receivable at December 31, 2018, consist of processing fees from various healthcare organizations for tissue. Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

For the year ended December 31, 2018, approximately 5%, of the Organization's revenue was earned from eye processing fees from Vision Share. Also, as of December 31, 2018 13% of accounts receivable was due from Vision Share.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

The Organization uses the income approach to value unconditional promises to give, in the aggregate on an annual basis, under the fair value option.

Allowance for Doubtful Accounts

Accounts receivable are stated net of an allowance for doubtful accounts. The allowance for doubtful accounts for accounts receivable was \$82,292 at December 31, 2018.

Unconditional promises to give are stated net of an allowance for doubtful accounts. The allowance for doubtful accounts for pledges receivable was \$0 at December 31, 2018.

Prepaid Expenses

Prepaid expenses represent amounts paid in advance for future expenses. All prepaid amounts are expected to be fully utilized.

Investments

Investments are stated at fair values based upon quoted market prices using prevailing financial market information as of December 31, 2018. Realized gains and losses represent the difference between the proceeds received and the cost of investments sold. Unrealized gains and losses represent the change in the market value of the investments during the year. Donated investments are reflected as contributions at their fair values at date of receipt. Investment income is reported net of direct investment expenses.

Eversight and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2018

Property and Equipment

Property and equipment are recorded at cost and are being depreciated on a straight-line basis over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred. Property and equipment with costs exceeding \$1,500 per single purchase or \$5,000 for group purchases will be capitalized. Leasehold improvements exceeding \$15,000 will be capitalized. The Organization reports gifts of property, plant, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Gifts of land, buildings, equipment and other long-lived assets are also reported as revenue without donor restrictions and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those expenses include salaries and benefits, depreciation and amortization, and occupancy. Salaries and benefits are allocated based on a time and cost review of where efforts are made, occupancy, depreciation and amortization are allocated based on a square footage basis.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Long-Lived Assets

The Organization evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Federal Income Taxes

The Organization is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Organization was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income." Such income, pursuant to the Internal Revenue Code and related regulations, includes income derived from activities other than the normal day-to-day operations of the Organization. For the year ended December 31, 2018 there were no interest or penalties recorded or included in the financial statements related to tax liabilities.

Subsequent Events

Management has evaluated subsequent events through June 13, 2019, which is the date the financial statements were available to be issued.

Eversight and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2018

Change in Accounting Principle

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addressed the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

Note 3 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>Total</u>
Cash and cash equivalents	\$ 1,069,234
Accounts receivable	2,685,360
Promises to give	<u>37,175</u>
	<u>\$ 3,791,769</u>

The Organization's goal is generally to maintain financial assets to meet 30 days of operating expenses (approximately \$2 million). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. The Organization has a \$500,000 line of credit available to meet cash flow needs.

The Organization's endowment funds consist of donor restricted endowments and funds designated by the board as endowments. Income from donor restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor restricted endowment funds are not available for general expenditure.

The Organization's board-designated endowment of \$87,134 is subject to spending restriction as described in Note 7. Although the Organization does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

Eversight and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2018

Note 4 - Unconditional Pledges to Give

Unconditional pledges to give are scheduled to be collected as follows:

	<u>2018</u>
Pledges due in less than one year	\$ 37,175
Pledges due in one to five years	<u>-</u>
Total unconditional pledges to give	37,175
Less allowance for doubtful pledges	<u>-</u>
Net unconditional pledges to give	<u><u>\$ 37,175</u></u>

Unconditional pledges to give activity for 2018 is detailed as follows:

Balance beginning of the year	\$ 29,978
Add new pledges	32,175
Less collections	<u>24,978</u>
Balance end of the year	<u><u>\$ 37,175</u></u>

Note 5 - Investments

Investments at December 31, 2018, respectively, were comprised of the following:

	<u>2018</u>
Money market funds	\$ 181,051
Corporate and government bonds	3,854,956
Equities	<u>2,417,798</u>
Total	<u><u>\$ 6,453,805</u></u>

The unrestricted investment earnings included in the statement of activities are summarized as follows for the year ended December 31, 2018:

	<u>2018</u>
Dividend and interest income	\$ 171,063
Investment fees	(66,879)
Unrealized losses	(947,118)
Realized gains	<u>689,854</u>
Total	<u><u>\$ (153,080)</u></u>

Eversight and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2018

Note 6 - Property and Equipment

The cost of property and equipment of the Organization is summarized as follows:

	2018
Land	\$ 170,000
Equipment and software	6,245,315
Furniture and fixtures	769,588
Leasehold improvements	2,030,473
Buildings	<u>1,697,708</u>
 Total cost	 10,924,639
 Accumulated depreciation	 <u>(8,738,124)</u>
 Net carrying amount	 <u><u>\$ 2,186,515</u></u>

Depreciation expense for the year ended December 31, 2018 was \$670,852.

Note 7 - Endowment Fund

The Organization's endowment consists of individual funds established to fulfill its mission statement. Its endowment includes net assets with donor restrictions. As required by accounting procedures generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of net assets with donor restrictions.

Interpretation of Relevant Law

The board of directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2018, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) The duration and preservation of the fund; (2) The purposes of the organization and the donor restricted endowment fund; (3) General economic conditions; (4) The possible effect of inflation and deflation; (5) The expected total return from income and the appreciation of investments; (6) Other

Eversight and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2018

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution if chosen so by the Board of Trustees. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment net asset composition by type of fund as of December 31, 2018 is as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Board-designated	\$ 87,134	\$ -	\$ 87,134
Donor-restricted			
Original donor-restricted			
gift amount and amounts			
required to be maintained			
in perpetuity by donor	-	91,953	91,953
	<u>\$ 87,134</u>	<u>\$ 91,953</u>	<u>\$ 179,087</u>

Changes in endowment net assets for the year ended December 31, 2018 were:

	Without Donor Restriction	With Donor Restrictions	Total
Beginning of year	\$ 87,134	\$ 91,953	\$ 179,087
Contributions	-	-	-
Distributions	-	-	-
Investment income	-	-	-
End of year	<u>\$ 87,134</u>	<u>\$ 91,953</u>	<u>\$ 179,087</u>

Eversight and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2018

Note 8 - Mortgage Payable

The Organization has a mortgage with a bank, payable in various monthly installments through February 2022. The mortgage calls for a fixed interest rate at 4.52% for the first five years. After five years, a variable rate equal to 70% of the one-month LIBOR plus 75 basis points is charged. The Organization will have the ability to fix the rate in the future. The outstanding balance was \$497,500 as of December 31, 2018. The mortgage is secured by the real estate covered by the mortgage and all machinery and equipment located on the real estate, and contains certain financial covenants including minimum debt service coverage and liquidity ratios. The Organization complied with the financial covenants for debt for the year ended.

The following is a summarized schedule of future installments:

<u>Year Ending December 31,</u>	
2019	\$ 148,500
2020	155,000
2021	166,000
2022	<u>28,000</u>
Total	<u>\$ 497,500</u>

Interest expense on the mortgage was \$33,612 for the year ended December 31, 2018.

Note 9 - Board-designated Funds

The board has designated certain funds for specific purposes and projects. The board has designated amounts in the Investment Fund to be invested for future use by the Organization. Board-designated amounts in the Investment Fund totaled \$6,492,344 at December 31, 2018. The investment fund is comprised of investments and interest receivable. Additionally, \$700,000 of net assets were designated to purchase capital assets, \$87,134 of net assets were designated for endowments and \$100,000 of net assets were designated for scholarships.

Note 10 - Retirement Plan

The Organization maintains a tax-sheltered retirement plan qualified under Internal Revenue Code Section 403(b). Under this plan, a qualified participant can elect to have 3.5% of compensation withheld for payment into a pension plan. In addition, the Organization contributes a matching percentage of no more than 7% of the compensation of participating employees to the plan. The Organization's contributions to the plan for the year ended December 31, 2018, were \$545,398.

Note 11 - Line of Credit

The Organization has a \$500,000 line of credit available, secured by substantially all assets, to be drawn upon as needed, with a variable interest rate as of December 31, 2018. The line is due in full, including accrued interest on February 28, 2019. As of December 31, 2018, the Organization had \$0 outstanding balance on this line of credit.

Eversight and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2018

Note 12 - Operating Leases

The Organization leases office space in Michigan, Illinois, New Jersey, Ohio and Korea, and various equipment under agreements that expire through 2023.

The following is a schedule of future minimum rental payments for the years ending December 31, 2018:

<u>Year Ending December 31,</u>	
2019	\$ 737,990
2020	338,031
2021	158,278
2022	135,287
2023	<u>34,445</u>
Total	<u>\$ 1,404,031</u>

Total rent expense for the year ended December 31, 2018 was \$713,734.

Rental expense is recorded on the straight line basis, while actual rental payments per the lease agreements are not straight-line. Some of the leases have an initial period of no rent or very low rent, and then rent payments gradually increase over the term of the lease. The deferred rent on the statement of financial position represents the accumulated difference between the straight-line rent expense and actual rent payments.

Note 13 - Net Assets Release from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2018:

	<u>2018</u>
Satisfaction of purpose restrictions	
Charitable purposes	\$ 125,346
Research programs	303,724
Scholarships	7,300
Building fund	5,000
Pakistan Eye Bank	<u>134,137</u>
	<u>\$ 575,507</u>

Eversight and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2018

Note 14 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes and periods at December 31:

	<u>2018</u>
Subject to expenditure for specified purpose:	
Charitable purposes	\$ 95,461
Research programs	10,918
Scholarships	27,160
Building fund	5,000
Pakistan Eye Bank	<u>122,000</u>
	<u>260,539</u>
Endowments:	
Subject to NFP endowment spending policy and appropriation	
Beverly A. Blettner Community Education	6,550
Gift of Hope and Vision Research	54,483
Gift of Sight Charitable	<u>30,920</u>
Total endowments	<u>91,953</u>
Total net assets with donor restrictions	<u><u>\$ 352,492</u></u>

During the year ended June 30, 2007, the Organization created the Beverly A. Blettner Community Education Endowment Fund. The donors stipulated that the principal amount may not be expended. The income generated from the principal may be used for educational purposes.

During the year ended June 30, 2005, the Organization created the Gift of Hope and Vision Research Endowment Fund. The donors stipulated that the principal amounts of \$25,000 and \$30,000 may not be expended. The income generated from the principal may be used to provide for annual distributions to support Eversight Gift of Hope Eye and Vision Research Program.

During the year ended June 30, 2005, the Organization created the Gift of Sight Charitable Endowment Fund. The donor stipulated that the \$385 principal may not be expended. The income generated from the principal may be used to waive or reduce tissue processing fees for patients who are unable to pay.

Note 15 - Research and Training Tissues (Unaudited)

During the year ended December 31, 2018, the Organization supplied 2,247 research tissues, to medical facilities and universities for research and training purposes. Estimated costs to procure these tissues are included in research program expenditures.

Eversight and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2018

Note 16 - Fair Value Measurements

Fair value is defined as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.).

Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Organization's financial assets and liabilities are not indicators of the risks associated with those instruments.

The following table provides fair value measurement information for financial assets measured at fair value as of December 31, 2018:

	Balance at December 31, 2018	Quoted prices in Active Markets for Identical Assets (Level 1)
Money market funds	\$ 181,051	\$ 181,051
Corporate and government bonds	3,854,956	3,854,956
Equities	<u>2,417,798</u>	<u>2,417,798</u>
Total	<u>\$ 6,453,805</u>	<u>\$ 6,453,805</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. There have been no changes in the methodologies used to determine fair value.

Eversight and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2018

Note 17 - Self-Insurance

The Organization is self-funded for vision, dental, and health benefits. Employees who elect coverage agree to a copayment. Medical benefits are insured with Blue Cross in a high deductible plan and supplemented by the Organization. Management believes they have adequately provided for all claims incurred in the accompanying financial statements.

Changes in balances of claims liabilities, which are included in the accrued liabilities, for the year ended December 31, 2018 is as follows:

Unpaid claims, December 31, 2017	\$ 82,327
Incurred claims	1,228,032
Claim payments	<u>(1,228,032)</u>
Unpaid claims, December 31, 2018	<u>\$ 82,327</u>

Supplementary Information

Eversight and Subsidiary
Consolidating Statement of Financial Position
December 31, 2018

	Eversight	Eversight International	Eliminations	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,868,792	\$ 478,607	\$ -	\$ 2,347,399
Accounts receivables, net	2,474,964	187,200	-	2,662,164
Unconditional pledges to give, net	37,175	-	-	37,175
Interest receivable	23,196	-	-	23,196
Intercompany receivable	10,801,959	10,325,603	(21,127,562)	-
Prepaid expenses	59,144	1,667	-	60,811
Other assets	13,967	-	-	13,967
Total current assets	15,279,197	10,993,077	(21,127,562)	5,144,712
Deposits	311,643	20,902	-	332,545
Investments	6,453,805	-	-	6,453,805
Property and equipment, net	2,155,876	30,639	-	2,186,515
Total assets	\$ 24,200,521	\$ 11,044,618	\$ (21,127,562)	\$ 14,117,577
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 822,334	\$ -	\$ -	\$ 822,334
Intercompany payable	10,325,603	10,801,959	(21,127,562)	-
Current portion of mortgage payable	148,500	-	-	148,500
Accrued liabilities	1,109,092	288,928	-	1,398,020
Total current liabilities	12,405,529	11,090,887	(21,127,562)	2,368,854
Long-term mortgage payable, net of current portion	349,000	-	-	349,000
Deferred rent	97,526	-	-	97,526
Total liabilities	12,852,055	11,090,887	(21,127,562)	2,815,380
Net assets (accumulated deficit)				
Without donor restrictions				
Undesignated	3,768,496	(168,269)	-	3,600,227
Board designated capital reserve	700,000	-	-	700,000
Board designated endowments	87,134	-	-	87,134
Board designated scholarships	100,000	-	-	100,000
Board designated investment fund	6,462,344	-	-	6,462,344
Total without donor restrictions	11,117,974	(168,269)	-	10,949,705
With donor restrictions				
Perpetual in nature	91,953	-	-	91,953
Purpose restrictions	138,539	122,000	-	260,539
Total with donor restrictions	230,492	122,000	-	352,492
Total net assets	11,348,466	(46,269)	-	11,302,197
Total liabilities and net assets	\$ 24,200,521	\$ 11,044,618	\$ (21,127,562)	\$ 14,117,577

Eversight and Subsidiary
Consolidating Statement of Activities
For the Six Months Ended December 31, 2018

	Eversight		Eversight International			Total		
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Eliminations	Without Donor Restriction	With Donor Restrictions	Total
Public support and program revenues								
Public support								
Contributions	\$ 511,589	\$ 394,372	\$ -	\$ -	\$ -	\$ 511,589	\$ 394,372	\$ 905,961
Program service fee revenue								
Eye tissue processing fees	20,030,347	-	1,375,157	-	-	21,405,504	-	21,405,504
Midwire processing fees	200,880	-	-	-	-	200,880	-	200,880
Other income	171,025	-	18,395	-	-	189,420	-	189,420
Intercompany charges	820,865	-	-	-	(820,865)	-	-	-
Total program revenues	21,223,117	-	1,393,552	-	(820,865)	21,795,804	-	21,795,804
Net assets released from restrictions	441,370	(441,370)	134,137	(134,137)	-	575,507	(575,507)	-
Total public support and program revenues	22,176,076	(46,998)	1,527,689	(134,137)	(820,865)	22,882,900	(181,135)	22,701,765
Expenses								
Program services								
Tissue procurement and processing program	15,027,773	-	1,266,504	-	(820,865)	15,473,412	-	15,473,412
Education program	377,365	-	470	-	-	377,835	-	377,835
Research program	1,448,934	-	26,681	-	-	1,475,615	-	1,475,615
Total program services	16,854,072	-	1,293,655	-	(820,865)	17,326,862	-	17,326,862
Support services								
Administration	4,539,056	-	116,173	-	-	4,655,229	-	4,655,229
Fundraising	1,156,862	-	-	-	-	1,156,862	-	1,156,862
Total support services	5,695,918	-	116,173	-	-	5,812,091	-	5,812,091
Total expenses	22,549,990	-	1,409,828	-	(820,865)	23,138,953	-	23,138,953
Program net income (loss)	(373,914)	(46,998)	117,861	(134,137)	-	(256,053)	(181,135)	(437,188)
Nonoperating income								
Net investment earnings	(153,080)	-	-	-	-	(153,080)	-	(153,080)
Change in net assets	(526,994)	(46,998)	117,861	(134,137)	-	(409,133)	(181,135)	(590,268)
Net assets (accumulated deficit) - beginning of year	11,644,968	277,490	(286,130)	256,137	-	11,358,838	533,627	11,892,465
Net assets (accumulated deficit) - end of year	\$ 11,117,974	\$ 230,492	\$ (168,269)	\$ 122,000	\$ -	\$ 10,949,705	\$ 352,492	\$ 11,302,197