

Eversight and Subsidiary

Financial Statements

December 31, 2019



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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, 2019, 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, 2019, 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 revenue recognition in 2019 as required by the provisions of FASB Accounting Standards Update 2014-09 *Revenue from Contracts with Customers* and changed its method of accounting for contributions in 2019 as required by the provisions of FASB Accounting Standards Update 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. 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
May 29, 2020

Eversight and Subsidiary
Consolidated Statement of Financial Position
December 31, 2019

Assets

Current assets	
Cash and cash equivalents	\$ 3,511,158
Accounts receivables	2,941,990
Unconditional pledges to give, net	38,410
Prepaid expenses	54,512
Other assets	<u>9,557</u>
Total current assets	6,555,627
Deposits	173,121
Unconditional pledges to give, net of current portion and allowance	10,000
Investments	6,765,972
Property and equipment, net	<u>9,551,040</u>
Total assets	<u>\$ 23,055,760</u>

Liabilities and Net Assets

Current liabilities	
Accounts payable	\$ 849,423
Current portion of mortgage payable	155,000
Capital lease obligation, current portion	190,502
Accrued liabilities	<u>1,288,005</u>
Total current liabilities	2,482,930
Long-term mortgage payable, net of current portion	194,000
Capital lease obligation, net of current portion	7,101,391
Deferred rent	<u>55,485</u>
Total liabilities	<u>9,833,806</u>

Net assets

Without donor restrictions	
Undesignated	5,209,332
Board designated capital reserve	500,000
Board designated endowments	87,134
Board designated scholarships	100,000
Board designated investment fund	<u>7,075,016</u>
Total without donor restrictions	<u>12,971,482</u>
With donor restrictions	
Perpetual in nature	91,953
Purpose restrictions	<u>158,519</u>
Total with donor restrictions	<u>250,472</u>
Total net assets	<u>13,221,954</u>
Total liabilities and net assets	<u>\$ 23,055,760</u>

See Accompanying Notes to the Consolidated Financial Statements

Eversight and Subsidiary
Consolidated Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and program revenues			
Public support			
Contributions	\$ 960,150	\$ 222,331	\$ 1,182,481
Program revenues			
Eye tissue processing fees	22,042,406	-	22,042,406
Other income	35,028	-	35,028
Total program revenues	22,077,434	-	22,077,434
Net assets released from restrictions	324,351	(324,351)	-
Total public support and program revenues	23,361,935	(102,020)	23,259,915
Expenses			
Program services			
Tissue procurement and processing program	15,900,802	-	15,900,802
Education program	226,196	-	226,196
Research program	1,249,474	-	1,249,474
Total program services	17,376,472	-	17,376,472
Support services			
Administration	4,003,429	-	4,003,429
Fundraising	947,330	-	947,330
Total support services	4,950,759	-	4,950,759
Total expenses	22,327,231	-	22,327,231
Program net loss	1,034,704	(102,020)	932,684
Nonoperating income			
Net investment earnings	987,073	-	987,073
Change in net assets	2,021,777	(102,020)	1,919,757
Net assets - beginning of year	10,949,705	352,492	11,302,197
Net assets - end of year	<u>\$ 12,971,482</u>	<u>\$ 250,472</u>	<u>\$ 13,221,954</u>

See Accompanying Notes to the Consolidated Financial Statements

Eversight and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2019

	<u>Program Services Expenses</u>				<u>Supporting Services Expenses</u>		Total Supporting Services	Total
	Tissue Program	Education Program	Research Program	Total Program Services	Administration	Fundraising		
Functional Expenses								
Salaries and related expenses	\$ 7,679,365	\$ 104,440	\$ 759,279	\$ 8,543,084	\$ 2,955,960	\$ 580,353	\$ 3,536,313	\$ 12,079,397
Clinical lab and technical fees	5,675,028	-	249,599	5,924,627	6,530	-	6,530	5,931,157
Public and professional education	37,714	51,562	4,324	93,600	-	4,360	4,360	97,960
Research grants and awards	35,814	-	104,724	140,538	-	-	-	140,538
Business development	149,092	-	3,387	152,479	17,022	-	17,022	169,501
Conferences and meetings	73,616	573	5,506	79,695	33,189	183,799	216,988	296,683
Travel	93,324	2,084	11,563	106,971	48,600	11,579	60,179	167,150
Bad debt expense	11,500	-	-	11,500	-	-	-	11,500
Depreciation	531,398	11,258	16,887	559,543	76,621	30,959	107,580	667,123
Professional fees	198,911	-	10,325	209,236	232,138	-	232,138	441,374
Rent and utilities	695,803	33,458	53,082	782,343	227,416	92,008	319,424	1,101,767
Tax expense	47	2	3	52	11	5	16	68
Insurance	105,543	3,630	5,445	114,618	24,701	9,982	34,683	149,301
Supplies	32,010	1,041	1,918	34,969	6,736	2,864	9,600	44,569
Membership dues	176,167	-	-	176,167	-	-	-	176,167
Postage and shipping	11,195	843	381	12,419	4,525	2,318	6,843	19,262
Interest and finance charges	70,160	111	166	70,437	10,348	305	10,653	81,090
Printing and publications	13,499	6,748	6,748	26,995	-	-	-	26,995
Equipment rental and maintenance	197,642	6,647	9,970	214,259	45,416	18,279	63,695	277,954
Licenses and registrations	109,122	3,773	5,660	118,555	25,642	10,376	36,018	154,573
Miscellaneous	3,852	26	507	4,385	288,574	143	288,717	293,102
Total	\$ 15,900,802	\$ 226,196	\$ 1,249,474	\$ 17,376,472	\$ 4,003,429	\$ 947,330	\$ 4,950,759	\$ 22,327,231

See Accompanying Notes to the Consolidated Financial Statements

Eversight and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2019

Cash flows from operating activities

Change in net assets	\$ 1,919,757
Items not requiring cash	
Depreciation	667,123
Bad debt expense	11,500
Loss on disposal of equipment	25,700
Deferred rent	(42,041)
Realized and unrealized gain on investment	(804,892)
Changes in operating assets and liabilities	
Accounts receivables	(291,326)
Unconditional pledges to give	(11,235)
Prepaid expenses	6,299
Other assets	4,410
Deposits	159,424
Accounts payable	27,089
Accrued liabilities	(110,015)
Net cash provided by operating activities	1,561,793

Cash flows from investing activities

Purchase of property and equipment	(730,299)
Proceeds from sale of property and equipment	12,000
Purchase of investments	(184,080)
Proceeds from sale of investments	700,001
Net cash used by investing activities	(202,378)

Cash flows from financing activities

Repayments of long-term debt	(148,500)
Payments on capital lease obligations	(47,156)
Net cash used by financing activities	(195,656)

Change in cash and cash equivalents	1,163,759
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Cash and cash equivalents - beginning of year	2,347,399
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Cash and cash equivalents - end of year	\$ 3,511,158
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Supplemental information

Cash paid during the year for interest	<u><u>\$ 76,679</u></u>
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Supplemental schedule of non-cash investing and financing activities

Assets acquired through capital leases	<u><u>\$ 7,339,049</u></u>
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Eversight and Subsidiary
Notes to the Consolidated Financial Statements
December 31, 2019

Note 1 - Organization

Established in 1947, Eversight is a network of community-based eye banks based in Ann Arbor, Michigan, that serves as the nation's largest nonprofit provider of donated tissue for sight-restoring corneal transplants in the United States. Its mission is to restore sight and prevent blindness through the healing power of donation, transplantation and research. Operating 24/7/365 from locations in Connecticut, Illinois, Michigan, New Jersey, Ohio and South Korea, Eversight is responsible for recovering, evaluating and providing human eye tissue for transplantation; supporting research into the causes and cures of blinding eye conditions; promoting donation awareness through public and professional education; and providing humanitarian aid to people around the world in need of corneal transplantation.

Through its U.S. and international initiatives, working closely with donor families and surgeons, Eversight recovers, prepares and provides donated eye/corneal tissue to ensure the gift of sight for more than 8,000 corneal transplant patients each year. Tissue services are provided at low or no cost for patients who cannot afford transplant surgeries and for surgeons conducting medical mission trips worldwide. Charitable donations to Eversight's Gift of Sight Fund provide financial aid to individuals who cannot afford the cost of a cornea transplant and supports humanitarian efforts to cure blindness. To date, Eversight has fulfilled 100 percent of charitable care requests submitted by surgeons on behalf of their patients.

In the pursuit to eliminate blinding eye diseases, Eversight established the Eversight Center for Vision and Eye Banking Research in Cleveland, Ohio, to provide leading ophthalmology researchers with needed resources to find cures and treatments for eye diseases such as age-related macular degeneration, diabetic retinopathy and glaucoma. Capabilities and services include developing eye banking practices that expand the availability of eye tissue for critical studies requiring specific types of tissue to gain new knowledge for future treatment and cures; procuring, processing and preserving critically needed corneal and non-corneal tissue; performing fluorescence, bright field and phase-contrast microscopy; and providing molecular biology and RNA isolation service lines for research partners, as well as services utilizing crucial R&D instrumentation. Research and clinical leadership and staff are highly involved primary and co-investigators on new research.

Since 1980, the Eversight Eye & Vision Research Grant Program has supported researchers at leading academic medical institutions including Harvard, Tufts, Cleveland Clinic, Case Western Reserve, University of Michigan and Northwestern. Eversight's grant program provides critical, early-stage funding or seed grants that are intended to drive foundational research and discovery. Many of these projects have stimulated larger-scale studies and won further financial support from the National Institutes of Health.

Eversight is one of the few nonprofit eye bank networks with the expertise, cultural competence and philanthropic support to help developing countries establish their own sustainable eye banking infrastructures in regions where millions suffer from treatable blindness. In 2015, Eversight International was formed as a 501(c)3 nonprofit organization to build on this work with medical professionals and government entities in China, the Middle East, Pakistan and South Korea. Through these partnerships, Eversight International establishes local donation programs and conducts technical laboratory training so tissue can be recovered, processed and distributed safely, increasing access to corneal transplants and the availability of eye tissue for research and education purposes.

In 2019, Eversight earned GuideStar's Platinum Seal of Transparency for communicating its work and the progress toward its mission. Eversight maintains its commitment to excellence as an accredited member of the Eye Bank Association of America (EBAA) and by meeting the highest quality standards set by the U.S. Food and Drug Administration. It collaborates with surgeons, researchers, academic medical centers and eye banks across the United States and abroad.

Eversight and Subsidiary

Notes to the Consolidated Financial Statements

December 31, 2019

Eversight actively and consistently monitors and measures the success of all programs and operations. Leadership, staff and the Board of Directors closely monitor a dashboard of key performance and financial indicators to ensure and drive progress. Key performance indicators include tissue and research placements; expenses and revenue; and quality performance metrics recoveries. Multiple additional metrics and data are monitored at operational, research and departmental levels to ensure quality, responsiveness and impact including measures of fulfillment, precision, quality, compliance, surgeon satisfaction and outcomes and to inform continuous evaluation to improve our impact, performance and outcomes with particular emphasis on clinical operations, training and quality improvement.

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 2019 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 \$3,511,158. The actual bank balances amounted to \$3,631,248. Of these balances, \$3,381,248 was not insured by the Federal Deposit Insurance Corporation.

Eversight and Subsidiary
Notes to the Consolidated Financial Statements
December 31, 2019

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.

Eye tissue processing fees are recognized when eye tissue is shipped to the end customer and the performance obligation is met.

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, 2019 was \$218,550.

Accounts Receivable

The Organization's accounts receivable at December 31, 2019, 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, 2019, approximately 4%, of the Organization's revenue was earned from eye processing fees from Vision Share. Also, as of December 31, 2019 10% 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.

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, 2019.

Prepaid Expenses

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

Eversight and Subsidiary
Notes to the Consolidated Financial Statements
December 31, 2019

Investments

Investments are stated at fair values based upon quoted market prices using prevailing financial market information as of December 31, 2019. 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.

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 \$5,000 per single purchase or \$15,000 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 presents 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, 2019 there were no interest or penalties recorded or included in the financial statements related to tax liabilities.

Eversight and Subsidiary
Notes to the Consolidated Financial Statements
December 31, 2019

Subsequent Events

Management has evaluated subsequent events through May 29, 2020, which is the date the financial statements were available to be issued.

Change in Accounting Principle

The Organization adopted ASU 2018-08 Not-for-Profit Entities (Topic 958) *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* as of the beginning of the year ended 2019. This has been adopted using the retrospective approach. Net assets did not change as a result of this change.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to clarify the principles of recognizing revenue, create common revenue recognition guidance, and improve disclosures. Accordingly, the Organization has elected to implement this standard using a full retrospective adjustment of the prior year financial statements. Net assets without donor restrictions did not change as a result of this change.

The Organization has elected to use the following practical expedients: 1) not restating contracts that began and were completed in the same annual reporting period; 2) for contracts with variable consideration, the transaction price used was that at the completion of the contract; and 3) contracts modified before the beginning of the earliest reporting period presented were not retrospectively restated for the modification.

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	\$ 2,243,852
Accounts receivable	2,962,646
Promises to give	<u>48,410</u>
	<u><u>\$ 5,254,908</u></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'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 Subsidiary
Notes to the Consolidated Financial Statements
December 31, 2019

The Organization's board-designated investment fund consists of funds set aside at the Board's discretion for investing activities. These funds cannot be used for general expenditure without Board consent.

The Organization's board-designated capital reserve consists of funds set aside at the Board's discretion for future capital projects and additions. These funds cannot be used for general expenditure without Board consent.

Note 4 - Unconditional Pledges to Give

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

	2019
Pledges due in less than one year	\$ 38,410
Pledges due in one to five years	<u>10,000</u>
Total unconditional pledges to give	48,410
Less allowance for doubtful pledges	<u>-</u>
Net unconditional pledges to give	<u><u>\$ 48,410</u></u>

Unconditional pledges to give activity for 2019 is detailed as follows:

Balance beginning of the year	\$ 37,175
Add new pledges	63,410
Less collections	<u>52,175</u>
Balance end of the year	<u><u>\$ 48,410</u></u>

Note 5 - Investments

Fair value of marketable debt and equity securities at December 31, 2019 consist of:

	2019
Money market funds	\$ 146,130
Corporate and government bonds	3,788,497
Equities	<u>2,831,345</u>
Total	<u><u>\$ 6,765,972</u></u>

Eversight and Subsidiary
Notes to the Consolidated Financial Statements
December 31, 2019

The net investment earnings included in the consolidated statement of activities are summarized as follows for the year ended December 31, 2019:

	<u>2019</u>
Dividend and interest income	\$ 246,808
Investment fees	(64,627)
Unrealized gain	540,111
Realized gain	<u>264,781</u>
Total	<u><u>\$ 987,073</u></u>

Note 6 - Property and Equipment

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

	<u>2019</u>
Land	\$ 170,000
Equipment and software	6,364,572
Furniture and fixtures	855,181
Leasehold improvements	2,469,996
Buildings	<u>9,036,757</u>
Total cost	18,896,506
Accumulated depreciation	<u>(9,345,466)</u>
Property and equipment, net	<u><u>\$ 9,551,040</u></u>

Depreciation expense for the year ended December 31, 2019 was \$667,123.

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, 2019, 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

Eversight and Subsidiary
Notes to the Consolidated Financial Statements
December 31, 2019

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 *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, 2019 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, 2019 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>

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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 \$349,000 as of December 31, 2019. 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 following is a summarized schedule of future installments:

<u>Year Ending December 31,</u>	
2019	\$ 155,000
2020	166,000
2021	<u>28,000</u>
Total	<u>\$ 349,000</u>

Interest expense on the mortgage was \$4,411 for the year ended December 31, 2019.

Note 9 - Capital Lease

The Organization leases an office under a capital lease expiring in 2034. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments for the fair value of the asset. The assets are depreciated over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense.

The following is a summary of property held under the capital lease:

	<u>2019</u>
Building	\$ 7,339,049
Accumulated amortization	<u>(203,704)</u>
Total property held under capital leases	<u>\$ 7,135,345</u>

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Minimum future lease payments under capital leases as of December 31, 2019, were as follows:

	Principal	Interest	Total
2020	\$ 190,502	\$ 198,615	\$ 389,117
2021	340,861	191,050	531,911
2022	365,030	181,375	546,405
2023	390,524	171,017	561,541
2024	416,871	159,949	576,820
Thereafter	<u>5,588,105</u>	<u>811,420</u>	<u>6,399,525</u>
Total capital lease obligation	<u>\$ 7,291,893</u>	<u>\$ 1,713,426</u>	<u>\$ 9,005,319</u>

The interest rate on the capitalized lease is 2.75% and is imputed based on the lower of the Organization incremental borrowing rate at the inception of each lease of the lessor's implicit rate of return.

Note 10 - 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 \$7,075,016 at December 31, 2019. The investment fund is comprised of investments and interest receivable. Additionally, \$500,000 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 11 - Revenue from Contracts with Customers

The following summarizes revenue by type for the year ended December 31:

	<u>2019</u>
Revenue from contracts with customers	\$ 22,042,406
Contribution revenue	1,182,481
Net investment earnings	987,073
Other revenue	<u>35,028</u>
Total revenue	<u>\$ 24,246,988</u>

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The following summarizes bad debt expense for the year ended December 31:

	<u>2019</u>
Impairment loss on receivables and contract assets on contracts with customers	\$ 11,500
Impairment loss on pledges receivable	<u>-</u>
Total bad debt expense	<u>\$ 11,500</u>

The revenue from contracts with customers for the year ended December 31 consists of:

	<u>2019</u>
Revenue earned at a point in time	<u>\$ 22,042,406</u>

Revenue earned at a point in time consists of tissue processing fees provided to researchers and transplant professionals. The tissues are unique orders that are derived from the research or transplant needs and therefore the performance obligation is satisfied when the order is fulfilled; if the tissue is compromised, revenue is still earned as long as the tissue is shipped adhering to the terms of the contract. This is because the tissue use is unique to the needs of the research or transplant. There is no variable consideration for the tissue processing. The transaction price is determined by the terms of the contract. Because the majority of customers are regular and known for paying timely, there is no constraint.

The following summarizes contract assets and contract liabilities as of:

	<u>January 1, 2019</u>	<u>December 31, 2019</u>
Contract assets'		
Accounts receivable	<u>\$ 2,662,164</u>	<u>\$ 2,941,990</u>

There were no changes in judgments related to revenue recognition for the year ended December 31, 2019.

The Organization uses the practical expedient to record revenue as if there is no significant financing component when the receivable is due within one year.

Note 12 - 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

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compensation of participating employees to the plan. The Organization's contributions to the plan for the year ended December 31, 2019, were \$510,338.

Note 13 - Operating Leases

The Organization leases office space in Connecticut, Illinois, Indiana, 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, 2019:

<u>Year Ending December 31,</u>	
2020	\$ 571,735
2021	160,746
2022	136,320
2023	<u>34,445</u>
Total	<u>\$ 903,246</u>

Total rent expense for the year ended December 31, 2019 was \$738,543.

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 14 - 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 year ended December 31:

	<u>2019</u>
Satisfaction of purpose restrictions	
Gift of Sight	\$ 41,100
Charitable purposes	14,121
Education programs	35,814
Research programs	100,888
Scholarships	6,960
Building fund	5,000
Equipment fund	18,468
Pakistan Eye Bank	<u>102,000</u>
	<u>\$ 324,351</u>

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Notes to the Consolidated Financial Statements
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Note 15 - Net Assets with Donor Restrictions

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

	<u>2019</u>
Subject to expenditure for specified purpose:	
Gift of Sight	\$ 35,600
Education programs	24,186
Scholarships	28,597
Equipment fund	50,136
Pakistan Eye Bank	<u>20,000</u>
	<u>158,519</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>
	<u>91,953</u>
Total endowments	<u>91,953</u>
 Total net assets with donor restrictions	 <u>\$ 250,472</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 16 - Research and Training Tissues (Unaudited)

During the year ended December 31, 2019, the Organization supplied 2,137 research tissues, to medical facilities and universities for research and training purposes. Estimated costs to procure these tissues are included in research program expenditures.

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Notes to the Consolidated Financial Statements
December 31, 2019

Note 17 - 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 of marketable debt and equity securities measured at fair value as of December 31, 2019:

	Balance at December 31, 2019	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Money market funds	\$ 146,130	\$ 146,130	\$ -
Debt securities of the U.S. Treasury and other U.S. government corporations and agencies	1,110,951	-	1,110,951
Municipal bonds	572,384	572,384	-
Corporate bonds	970,700	970,700	-
Other fixed income	1,134,462	1,134,462	-
Equity securities	<u>2,831,345</u>	<u>2,831,345</u>	<u>-</u>
Total assets at fair value	<u>\$ 6,765,972</u>	<u>\$ 5,655,021</u>	<u>\$ 1,110,951</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.

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Note 18 - 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, 2019 is as follows:

Unpaid claims, December 31, 2018	\$ 82,327
Incurred claims	957,261
Claim payments	<u>(957,261)</u>
Unpaid claims, December 31, 2019	<u>\$ 82,327</u>

Note 19 - Subsequent Events

In February 2020, the Organization sold the building owned at 4889 Venture Drive, Ann Arbor, Michigan. The mortgage and future minimum payments detailed in note 8 are no longer an obligation to the Organization.

As result of the global coronavirus pandemic of 2020, many organizations' financial picture has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the global picture continues to change daily. While management is hopeful that the impact is temporary in nature, it is not possible to estimate the effect this may have on the Company. Accordingly, no adjustments to the consolidated financial statements were made as a result of this subsequent event.

Supplementary Information

Eversight and Subsidiary
Consolidating Statement of Financial Position
December 31, 2019

	Eversight	Eversight International	Eliminations	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 3,302,118	\$ 209,040	\$ -	\$ 3,511,158
Accounts receivables, net	2,570,865	371,125	-	2,941,990
Unconditional pledges to give, net	38,410	-	-	38,410
Intercompany receivable	11,537,217	11,260,228	(22,797,445)	-
Prepaid expenses	52,836	1,676	-	54,512
Other assets	9,557	-	-	9,557
Total current assets	17,511,003	11,842,069	(22,797,445)	6,555,627
Deposits	152,219	20,902	-	173,121
Unconditional pledges to give, net	10,000	-	-	10,000
Investments	6,765,972	-	-	6,765,972
Property and equipment, net	9,536,161	14,879	-	9,551,040
Total assets	\$ 33,975,355	\$ 11,877,850	\$ (22,797,445)	\$ 23,055,760
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 849,423	\$ -	\$ -	\$ 849,423
Intercompany payable	11,260,228	11,537,217	(22,797,445)	-
Current portion of mortgage payable	155,000	-	-	155,000
Capital lease obligation, current portion	190,502	-	-	190,502
Accrued liabilities	1,076,067	211,938	-	1,288,005
Total current liabilities	13,531,220	11,749,155	(22,797,445)	2,482,930
Capital lease obligation, net of current portion	7,101,391	-	-	7,101,391
Long-term mortgage payable, net of current portion	194,000	-	-	194,000
Deferred rent	55,485	-	-	55,485
Total liabilities	20,882,096	11,749,155	(22,797,445)	9,833,806
Net assets				
Without donor restrictions				
Undesignated	5,100,637	108,695	-	5,209,332
Board designated capital reserve	500,000	-	-	500,000
Board designated endowments	87,134	-	-	87,134
Board designated scholarships	100,000	-	-	100,000
Board designated investment fund	7,075,016	-	-	7,075,016
Total without donor restrictions	12,862,787	108,695	-	12,971,482
With donor restrictions				
Perpetual in nature	91,953	-	-	91,953
Purpose restrictions	138,519	20,000	-	158,519
Total with donor restrictions	230,472	20,000	-	250,472
Total net assets	13,093,259	128,695	-	13,221,954
Total liabilities and net assets	\$ 33,975,355	\$ 11,877,850	\$ (22,797,445)	\$ 23,055,760

Eversight and Subsidiary
Consolidating Statement of Activities
For the Year Ended December 31, 2019

	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	\$ 955,516	\$ 222,331	\$ 4,634	\$ -	\$ -	\$ 960,150	\$ 222,331	\$ 1,182,481
Program service fee revenue								
Eye tissue processing fees	20,181,393	-	1,861,013	-	-	22,042,406	-	22,042,406
Other income	38,217	-	(3,189)	-	-	35,028	-	35,028
Intercompany charges	1,093,884	-	-	-	(1,093,884)	-	-	-
Total program revenues	21,313,494	-	1,857,824	-	(1,093,884)	22,077,434	-	22,077,434
Net assets released from restrictions	222,351	(222,351)	102,000	(102,000)	-	324,351	(324,351)	-
Total public support and program revenues	22,491,361	(20)	1,964,458	(102,000)	(1,093,884)	23,361,935	(102,020)	23,259,915
Expenses								
Program services								
Tissue procurement and processing program	15,453,477	-	1,541,209	-	(1,093,884)	15,900,802	-	15,900,802
Education program	224,744	-	1,452	-	-	226,196	-	226,196
Research program	1,224,231	-	25,243	-	-	1,249,474	-	1,249,474
Total program services	16,902,452	-	1,567,904	-	(1,093,884)	17,376,472	-	17,376,472
Support services								
Administration	3,888,840	-	114,589	-	-	4,003,429	-	4,003,429
Fundraising	942,329	-	5,001	-	-	947,330	-	947,330
Total support services	4,831,169	-	119,590	-	-	4,950,759	-	4,950,759
Total expenses	21,733,621	-	1,687,494	-	(1,093,884)	22,327,231	-	22,327,231
Program net income (loss)	757,740	(20)	276,964	(102,000)	-	1,034,704	(102,020)	932,684
Nonoperating income								
Net investment earnings	987,073	-	-	-	-	987,073	-	987,073
Change in net assets	1,744,813	(20)	276,964	(102,000)	-	2,021,777	(102,020)	1,919,757
Net assets (accumulated deficit) - beginning of year	11,117,974	230,492	(168,269)	122,000	-	10,949,705	352,492	11,302,197
Net assets - end of year	\$ 12,862,787	\$ 230,472	\$ 108,695	\$ 20,000	\$ -	\$ 12,971,482	\$ 250,472	\$ 13,221,954