

DISCOVERY EYE FOUNDATION
FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Discovery Eye Foundation
Los Angeles, California

We have audited the accompanying financial statements of Discovery Eye Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITORS' REPORT (Continued)

Auditors' Responsibility (Continued)

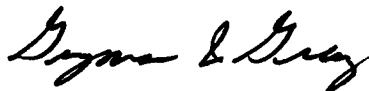
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Discovery Eye Foundation as of December 31, 2019, and the 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.

Other Matter

The accompanying financial statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year ended December 31, 2018, were audited by other auditors whose report dated February 13, 2020, expressed an unmodified opinion on those statements.



Guzman & Gray, CPAs
Long Beach, CA
May 27, 2020

DISCOVERY EYE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	December 31,	
	2019	2018
Cash and Cash Equivalents	\$ 527,164	\$ 308,530
Investments	1,490,066	960,117
Property and Equipment	19,795	8,515
 TOTAL ASSETS	 <u>\$ 2,037,025</u>	 <u>\$ 1,277,162</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts Payable	\$ 7,554	\$ 4,042
Accrued Liabilities	1,000	13,767
TOTAL LIABILITIES	<u>8,554</u>	<u>17,809</u>
NET ASSETS		
Without Donor Restrictions	1,414,313	726,223
With Donor Restrictions	614,158	533,130
TOTAL NET ASSETS	<u>2,028,471</u>	<u>1,259,353</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,037,025</u>	 <u>\$ 1,277,162</u>

See Independent Auditors' Report and Notes to Financial Statements.

DISCOVERY EYE FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions	\$ 544,031	\$ 493,469	\$ 1,037,500
Investment Return, net	291,044	-	291,044
	<u>835,075</u>	<u>493,469</u>	<u>1,328,544</u>
Net Assets Released from Purpose Restrictions	<u>412,441</u>	<u>(412,441)</u>	<u>-</u>
TOTAL REVENUE, SUPPORT, AND GAINS	<u>1,247,516</u>	<u>81,028</u>	<u>1,328,544</u>
EXPENSES			
Program Services	454,912	-	454,912
Management and General	86,199	-	86,199
Fundraising	<u>18,315</u>	<u>-</u>	<u>18,315</u>
TOTAL EXPENSES	<u>559,426</u>	<u>-</u>	<u>559,426</u>
CHANGE IN NET ASSETS	688,090	81,028	769,118
NET ASSETS, BEGINNING OF YEAR	<u>726,223</u>	<u>533,130</u>	<u>1,259,353</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,414,313</u></u>	<u><u>\$ 614,158</u></u>	<u><u>\$ 2,028,471</u></u>

See Independent Auditors' Report and Notes to Financial Statements.

DISCOVERY EYE FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions	\$ 838,610	\$ 339,875	\$ 1,178,485
Investment Return, net	(149,535)	-	(149,535)
	<u>689,075</u>	<u>339,875</u>	<u>1,028,950</u>
Net Assets Released from Purpose Restrictions	<u>375,212</u>	<u>(375,212)</u>	<u>-</u>
TOTAL REVENUE, SUPPORT, AND GAINS	<u>1,064,287</u>	<u>(35,337)</u>	<u>1,028,950</u>
EXPENSES			
Program Services	403,987	-	403,987
Management and General	83,549	-	83,549
Fundraising	<u>117,949</u>	<u>-</u>	<u>117,949</u>
TOTAL EXPENSES	<u>605,485</u>	<u>-</u>	<u>605,485</u>
CHANGE IN NET ASSETS	458,802	(35,337)	423,465
NET ASSETS, BEGINNING OF YEAR	<u>267,421</u>	<u>568,467</u>	<u>835,888</u>
NET ASSETS, END OF YEAR	<u><u>\$ 726,223</u></u>	<u><u>\$ 533,130</u></u>	<u><u>\$ 1,259,353</u></u>

See Independent Auditors' Report and Notes to Financial Statements.

DISCOVERY EYE FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

		Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 39,860	\$ 15,680	\$ 10,061	\$ 65,601
Employee Benefits	8,668	3,334	1,334	13,336
Payroll Taxes	3,804	1,463	585	5,852
Total Salaries and Related Expenses	52,332	20,477	11,980	84,789
Gifts Contributed	125,355	-	-	125,355
Outside Services	129,932	19,011	1,539	150,482
Supplies	140,129	-	-	140,129
Professional fees	225	11,534	-	11,759
Office Expense	209	7,242	-	7,451
Printing and Publications	3,265	6,331	1,536	11,132
Insurance	-	4,932	-	4,932
Postage and Delivery	-	819	-	819
Advertising and Promotion	3,400	372	-	3,772
Bank Charges and Credit Card Fees	65	2,161	-	2,226
Meals	-	6,856	-	6,856
Permits, Licenses, and Other Taxes	-	963	-	963
Dues and Subscriptions	-	497	3,260	3,757
Telephone	-	2,786	-	2,786
Travel	-	77	-	77
Expenses Before Depreciation	454,912	84,058	18,315	557,285
Depreciation	-	2,141	-	2,141
Total Expenses	<u>\$ 454,912</u>	<u>\$ 86,199</u>	<u>\$ 18,315</u>	<u>\$ 559,426</u>

See Independent Auditors' Report and Notes to Financial Statements.

DISCOVERY EYE FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

		Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 41,507	\$ 18,328	\$ 9,467	\$ 69,302
Employee Benefits	5,209	2,415	1,247	8,871
Payroll Taxes	3,294	1,527	789	5,610
Total Salaries and Related Expenses	50,010	22,270	11,503	83,783
Gifts Contributed	242,135	-	-	242,135
Outside Services	27,273	571	97,694	125,538
Supplies	75,508	-	-	75,508
Professional fees	-	30,889	-	30,889
Office Expense	5,000	20,171	-	25,171
Printing and Publications	-	-	5,018	5,018
Insurance	-	4,610	-	4,610
Repairs and Maintenance	4,061	-	-	4,061
Postage and Delivery	-	-	3,734	3,734
Advertising and Promotion	-	120	-	120
Expenses Before Depreciation	403,987	78,631	117,949	600,567
Depreciation	-	4,918	-	4,918
Total Expenses	\$ 403,987	\$ 83,549	\$ 117,949	\$ 605,485

See Independent Auditors' Report and Notes to Financial Statements.

DISCOVERY EYE FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 769,118	\$ 423,465
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	2,141	4,918
Unrealized/Realized (Gain) Loss on Investments	(259,258)	171,745
(Increase) Decrease in Assets:		
Pledges Receivable	-	10,000
Increase (Decrease) in Liabilities:		
Accounts Payable	3,512	(4,216)
Accrued Liabilities	(12,767)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>502,746</u>	<u>605,912</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(13,421)	(8,964)
Purchases of Investments	(328,302)	(560,907)
Proceeds from Sale of Investments	95,343	39,684
Reinvested Interest and Dividends	<u>(37,732)</u>	<u>(30,043)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(284,112)</u>	<u>(560,230)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	218,634	45,682
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>308,530</u>	<u>262,848</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 527,164</u></u>	<u><u>\$ 308,530</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest Paid	<u>None</u>	<u>None</u>
Taxes Paid	<u>None</u>	<u>None</u>

See Independent Auditors' Report and Notes to Financial Statements.

DISCOVERY EYE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 1 – ORGANIZATION

Discovery Eye Foundation (Discovery), formerly known as The Discovery Fund for Eye Research, Inc., is a California nonprofit public benefit corporation organized for the purpose of promoting medical research and education in the field of eye diseases. Discovery was incorporated on August 31, 1988 as a tax-exempt organization under section 501(c)(3) and has been determined not to be a private foundation under sections 509(a)(1) and 170(b)((1)(A)(vi) of the Internal Revenue Code.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements of Discovery are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenue, gains, and losses are classified based on donor-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.

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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Discovery 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.

DISCOVERY EYE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Discovery considers cash and cash equivalents as cash in banks and certificates of deposit with an original maturity of three months or less.

Revenue and Revenue Recognition

Revenue is recognized when earned. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value, which is measured using the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Investments

Discovery records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$500 and the useful life is greater than one year.

Functional Allocation of Expenses

Costs of providing Discovery's programs and other activities have been presented in the statements of functional expenses. Such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Discovery uses percentage of use estimates to allocate indirect costs.

Income Taxes

Discovery is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code; therefore, no provision has been made for income taxes.

DISCOVERY EYE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes, continued

Discovery evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions will more likely than not be sustained upon examination. Management does not believe Discovery has any uncertain tax positions requiring accrual or disclosure. Discovery is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

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 reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

Management has evaluated subsequent events through May 27, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. Discovery is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The financial statements do not include adjustments to fair value that have resulted from these declines. Even though the coronavirus pandemic has not created any significant financial impact on Discovery at this time, any future cancellation of major fundraising events and unforeseen business interruptions caused by the pandemic could have an adverse effect on Discovery's operations and cash flow.

DISCOVERY EYE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 3 – FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that Discovery can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, Discovery develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to Discovery's assessment of the quality, risk, or liquidity profile of the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis. There have been no changes in the methodologies used at December 31, 2019 and 2018:

Equities and mutual funds: Valued at the net asset value of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

DISCOVERY EYE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 3 – FAIR VALUE MEASUREMENTS, continued

The following table sets forth by level, within the fair value hierarchy, Discovery's investments at fair value at December 31, 2019:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and money market (at cost)	\$ 11,352	\$ -	\$ -	\$ -
Equities	1,428,564	1,428,564	-	-
Mutual Funds	50,150	50,150	-	-
	<u>50,150</u>	<u>50,150</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,490,066</u>	<u>\$ 1,478,714</u>	<u>\$ -</u>	<u>\$ -</u>

The following table sets forth by level, within the fair value hierarchy, Discovery's investments at fair value at December 31, 2018:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities				
Mutual Funds	\$ 918,717	\$ 918,717	\$ -	\$ -
	41,400	41,400	-	-
	<u>41,400</u>	<u>41,400</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 960,117</u>	<u>\$ 960,117</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 – INVESTMENTS

Investments consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and money market	\$ 11,352	\$ -
Equities	1,428,564	918,717
Mutual Funds	50,150	41,400
	<u>50,150</u>	<u>41,400</u>
Total	<u>\$ 1,490,066</u>	<u>\$ 960,117</u>

DISCOVERY EYE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 223,960	\$ 210,539
Less: Accumulated Depreciation	<u>(204,165)</u>	<u>(202,024)</u>
Total	<u>\$ 19,795</u>	<u>\$ 8,515</u>

Depreciation expense for the years ended December 31, 2019 and 2018, totaled \$2,141 and \$4,918, respectively.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	<u>2019</u>	<u>2018</u>
Macular Degeneration	\$ 193,929	\$ 188,117
Mitochondria Research	166,889	175,000
Keratoconus Research	84,423	64,450
Glaucoma	30,000	-
Hampar/Allegro Research	90,665	42,985
Research Education/Gavin	35,000	-
Director's Fund	-	26,109
Sullivan Research	-	15,000
Retinal Vitreous Project	363	12,375
Diabetic Retinopathy Research	4,487	9,094
Kimberly/Kenney	<u>8,402</u>	<u>-</u>
Total	<u>\$ 614,158</u>	<u>\$ 533,130</u>

DISCOVERY EYE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS, continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Macular Degeneration	\$ 36,149	\$ 143,715
Mitochondria Research	200,111	-
Keratoconus Research	25,447	-
Hampar/Allegro Research	12,090	24,440
Research Education/Gavin	124,000	93,000
Retinal Vitreous Project	12	114,057
Diabetic Retinopathy Research	4,607	-
Kimberly/Kenney	2,577	-
Director's Fund	7,448	-
	<u>\$ 412,441</u>	<u>\$ 375,212</u>

NOTE 7 – EMPLOYEE BENEFIT PLAN

Discovery has a Simple IRA available to all eligible employees. Employees may contribute any whole percentage of annual compensation provided that it does not exceed maximum amounts as permitted by law. Employer contributions under this Plan during the year ended December 31, 2019 totaled \$1,200. There was no employer contribution during the year ended December 31, 2018.

NOTE 8 – FINANCIAL INSTRUMENTS AND CREDIT RISK

Discovery manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by Discovery to be creditworthy. At times, amounts on deposit may exceed insured limits. Investments are made by diversified investment managers whose performance is monitored by Discovery. Although the fair values of investments are subject to fluctuation on a year-to-year basis, Discovery believes that the investment policies and guidelines are prudent for its long-term welfare.

For the years ended December 31, 2019 and 2018, contributions received from one major contributor accounted for 27% and 49%, respectively, of the total contributions to Discovery.

DISCOVERY EYE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 9 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019, comprise the following:

Total financial assets:	
Cash and cash equivalents	\$ 527,164
Investments	<u>1,490,066</u>
Financial assets, at year end	2,017,230
Less:	
Donor-imposed restrictions	<u>(614,158)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,403,072</u>

Discovery maintains a policy of structuring its financial assets to be available as general expenditures, liabilities, and other obligations come due.

In addition to financial assets available to meet general expenditures over the next 12 months, Discovery operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-imposed restrictions.