

DISCOVERY EYE FOUNDATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018



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**DISCOVERY EYE FOUNDATION
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INDEPENDENT AUDITORS' REPORT

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, 2018, 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 Responsibilities 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.

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, 2018, 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.

Report on Summarized Comparative Information

Discovery Eye Foundation's 2017 financial statements were audited by other auditors, and their report dated August 7, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Los Angeles, California
February 13, 2020

DISCOVERY EYE FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 308,530	\$ 262,848
Pledges Receivable	-	10,000
Investments	960,117	580,596
Property and Equipment	<u>8,515</u>	<u>4,469</u>
Total Assets	<u><u>\$ 1,277,162</u></u>	<u><u>\$ 857,913</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 4,042	\$ 4,042
Accrued Liabilities	<u>13,767</u>	<u>17,983</u>
Total Liabilities	17,809	22,025
NET ASSETS		
Without Donor Restrictions	726,223	267,421
With Donor Restrictions	<u>533,130</u>	<u>568,467</u>
Total Net Assets	<u><u>1,259,353</u></u>	<u><u>835,888</u></u>
Total Liabilities and Net Assets	<u><u>\$ 1,277,162</u></u>	<u><u>\$ 857,913</u></u>

See accompanying Notes to Financial Statements.

DISCOVERY EYE FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018	2017
REVENUE, SUPPORT, AND GAINS				
Contributions	\$ 838,610	\$ 339,875	\$ 1,178,485	\$ 371,500
Gain (Loss) on Investments	(171,745)	-	(171,745)	74,045
Interest and Dividends	30,127	-	30,127	23,653
Miscellaneous Income				93
Net Assets Released from Purpose Restrictions	375,212	(375,212)	-	-
Total Revenue, Support, and Gains	<u>1,072,204</u>	<u>(35,337)</u>	<u>1,036,867</u>	<u>469,291</u>
EXPENSES AND LOSSES				
Program Services	403,987	-	403,987	268,466
Management and General	91,466	-	91,466	89,562
Fund Development	117,949	-	117,949	19,979
Total Expenses and Losses	<u>613,402</u>	<u>-</u>	<u>613,402</u>	<u>378,007</u>
CHANGE IN NET ASSETS	458,802	(35,337)	423,465	91,284
Net Assets - Beginning of Year	<u>267,421</u>	<u>568,467</u>	<u>835,888</u>	<u>744,604</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>	<u><u>\$ 835,888</u></u>

See accompanying Notes to Financial Statements.

DISCOVERY EYE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	Program Services	Support Services		2018	2017
		Management and General	Fund Development		
Salaries	\$ 41,507	\$ 18,328	\$ 9,467	\$ 69,302	\$ 82,632
Employee Benefits	5,209	2,415	1,247	8,871	13,587
Payroll Taxes	3,294	1,527	789	5,610	6,967
Total Salary Related Expenses	50,010	22,270	11,503	83,783	103,186
Gifts Contributed	242,135	-	-	242,135	142,225
Outside Services	27,273	571	97,694	125,538	51,672
Supplies	75,508	-	-	75,508	12,336
Professional Fees	-	30,889	-	30,889	23,001
Office Expense	5,000	20,171	-	25,171	10,439
Printing and Publications	-	-	5,018	5,018	5,012
Commission Expense	-	7,917	-	7,917	565
Insurance	-	4,610	-	4,610	5,987
Repairs and Maintenance	4,061	-	-	4,061	-
Postage and Delivery	-	-	3,734	3,734	3,550
Advertising and Promotion	-	120	-	120	10,692
Expenses Before Depreciation	403,987	86,548	117,949	608,484	368,665
Depreciation	-	4,918	-	4,918	9,342
Total Expenses 2018	<u>\$ 403,987</u>	<u>\$ 91,466</u>	<u>\$ 117,949</u>	<u>\$ 613,402</u>	
Total Expenses 2017	<u>\$ 268,466</u>	<u>\$ 89,562</u>	<u>\$ 19,979</u>		<u>\$ 378,007</u>

See accompanying Notes to Financial Statements.

DISCOVERY EYE FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 423,465	\$ 91,284
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	4,918	9,342
(Gain) Loss on Investments	171,745	(74,045)
(Increase) Decrease in Assets :		
Pledges Receivable	10,000	19,423
Other Receivable	-	869
Prepaid Expenses	-	1,548
Increase (Decrease) in Liabilities:		
Accounts Payable	(4,216)	(1,000)
Accrued Liabilities	-	972
Net Cash Provided by Operating Activities	<u>605,912</u>	<u>48,393</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(8,964)	
Purchases of Investments	(560,907)	
Proceeds from Sale of Investments	39,684	49,089
Reinvested Interest and Dividends	(30,043)	(23,604)
Net Cash Provided (Used) by Investing Activities	<u>(560,230)</u>	<u>25,485</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	45,682	73,878
Cash and Cash Equivalents - Beginning of Year	<u>262,848</u>	<u>188,970</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 308,530</u></u>	<u><u>\$ 262,848</u></u>

See accompanying Notes to Financial Statements.

**DISCOVERY EYE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 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. Incorporated on August 31, 1988, Discovery was a “supporting organization” of the California Community Foundation, as that term is defined in section 509(a)(3) of the Internal Revenue Code until September 1990, when its tax exempt status was changed to section 509(a)(1) and 170(b)(1)(a)(vi), giving Discovery fully independent charity status.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Discovery Eye Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These standards require that the Foundation report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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.

We report 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, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Contributions and Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded as 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 as 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 included as support until the conditions are substantially met.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Discovery Eye Foundation's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Investments

Discovery values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the statement of activities as gain or loss on investments. Short-term, highly liquid money market deposits and certificates of deposit that are not used for operations are treated as investments.

Fair Value Measurement

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we 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, we develop inputs using the best information available in the circumstances.

**DISCOVERY EYE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

Discovery is required to measure certain investments at fair value. The specific techniques used to measure fair value for the financial statement element is described in the notes below that relate to the element.

Concentrations of Credit Risks

Discovery Eye Foundation maintains its cash and cash equivalents in bank deposit and other investment accounts which may, at times, exceed federally insured limits. Discovery Eye Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. At December 31, 2018, cash in bank exceeded the FDIC limit.

For the year ended December 31, 2018, contributions from one major contributor accounted for 49% of the total contributions to Discovery.

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.

Income Taxes

Discovery Eye Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 2370(1)(d) of the California Revenue and Taxation Code; therefore, no provision has been made for income taxes.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Discovery Eye Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management of Discovery Eye Foundation does not believe the financial statements include any uncertain tax positions.

Functional Allocation of Expenses

Costs of providing Discovery's programs and other activities have been presented in the statement of functional expenses. During the year, 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.

**DISCOVERY EYE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses 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. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

Subsequent Events

Management has evaluated subsequent events through February 13, 2020, the date the financial statements were available to be issued. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

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:

Cash and Cash Equivalents	\$ 308,530
Operating Investments	426,987
Total	<u><u>\$ 735,517</u></u>

As part of the liquidity management plan, Discovery invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.

NOTE 4 INVESTMENTS

Investments consist of the following at December 31:

Equities	\$ 918,717
Mutual Funds	41,400
Total Investments	<u><u>\$ 960,117</u></u>

DISCOVERY EYE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 INVESTMENTS (CONTINUED)

Accounting principles generally accepted in the United States of America define fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements. This standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction, prioritizes the use of market based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset and include situations where there is little, if any market activity for the asset.

The fair values of assets measured on a recurring basis at December 31, 2018, are as follows:

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

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

Equipment	\$ 210,539
Less: Accumulated Depreciation	(202,024)
Total Property and Equipment	<u>\$ 8,515</u>

NOTE 6 ACCRUED LIABILITIES

Accrued liabilities consist of the following at December 31:

Payroll Liabilities	\$ 10,246
Accrued Vacation	3,521
Total Accrued Liabilities	<u>\$ 13,767</u>

**DISCOVERY EYE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31:

Macular Degeneration	\$ 188,117
Mitochondria Research	175,000
Keratoconus Research	64,450
Hampar/Allegro Research	42,985
Director's Fund	26,109
Sullivan Research	15,000
Retinal Vitreous Project	12,375
Diabetic Retinopathy Research	<u>9,094</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 533,130</u></u>

NOTE 8 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. There was no employer contributions under this Plan during the year.

