

2023

Audited Financial Statements

Kentucky Lions Eye Foundation, Inc.

June 30, 2023 and 2022



Audited Financial Statements

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Independent Auditors' Report

Board of Trustees
Kentucky Lions Eye Foundation, Inc.
Louisville, Kentucky

Qualified Opinion

We have audited the accompanying financial statements of Kentucky Lions Eye Foundation, Inc. (referred to as the "Foundation"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects of not consolidating the entity as explained in the Basis of Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects the financial position of Kentucky Lions Eye Foundation, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Qualified Opinion

GAAP requires that all controlled parties be accounted for in consolidated financial statements. As disclosed in Note N to the financial statements, the Foundation has not consolidated a related entity in these financial statements. Quantification of the effects of this departure from GAAP on the financial position, change in net assets, and cash flows of the Foundation is not practicable.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit significant audit findings, and certain internal control related matters that we identified during the audit.

Strothman and Company

Louisville, Kentucky
June 21, 2024

Statements of Financial Position

Kentucky Lions Eye Foundation, Inc.

| | | June 30 | |
|--|-----------|------------------|---------------------|
| | | 2023 | 2022 |
| Assets | | | |
| Cash and cash equivalents | \$ | 478,647 | \$ 250,310 |
| Accounts receivable | | 9,106 | 7,231 |
| Service endowment pledges receivable, net of discount | | 8,820 | 8,820 |
| Investments | | 5,453,957 | 4,496,357 |
| Property and equipment, net of accumulated depreciation | | 170,931 | 139,616 |
| Other assets | | 9,506 | 6,762 |
| Total Assets | \$ | 6,130,967 | \$ 4,909,096 |
| Liabilities and Net Assets | | | |
| Liabilities | | | |
| Accounts payable and accrued expenses | \$ | 71,088 | \$ 41,431 |
| Deferred revenue | | 2,783 | 2,908 |
| Total Liabilities | | 73,871 | 44,339 |
| Net Assets | | | |
| Without donor restrictions | | | |
| Undesignated | | 2,146,925 | 1,273,240 |
| Board designated | | 1,190,802 | 1,129,010 |
| Total Net Assets Without Donor Restrictions | | 3,337,727 | 2,402,250 |
| With donor restrictions | | | |
| Endowments | | 2,193,914 | 2,026,200 |
| Other | | 525,455 | 436,307 |
| Total Net Assets With Donor Restrictions | | 2,719,369 | 2,462,507 |
| Total Net Assets | | 6,057,096 | 4,864,757 |
| Total Liabilities and Net Assets | \$ | 6,130,967 | \$ 4,909,096 |

See Notes to Financial Statements

Statements of Activities

Kentucky Lions Eye Foundation, Inc.

| | Year Ended June 30, 2023 | | | Year Ended June 30, 2022 | | |
|--|----------------------------------|-------------------------------|---------------------|----------------------------------|-------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and Revenues | | | | | | |
| Donations | | | | | | |
| Patron Fund | | \$ 32,800 | \$ 32,800 | | \$ 27,020 | \$ 27,020 |
| General | \$ 773,774 | 71,621 | 845,395 | \$ 92,157 | 56,935 | 149,092 |
| KidSight | | 42,142 | 42,142 | | 21,934 | 21,934 |
| Basketball banquet revenue | \$ 93,095 | | | \$ 76,278 | | |
| Less direct benefits to donors | <u>35,888</u> | | | <u>29,629</u> | | |
| | 57,207 | | 57,207 | 46,649 | | 46,649 |
| Investment income (loss), net | 182,692 | 211,025 | 393,717 | (272,571) | (326,104) | (598,675) |
| Other income | <u>292,222</u> | | <u>292,222</u> | <u>36,609</u> | | <u>36,609</u> |
| | 1,305,895 | 357,588 | 1,663,483 | (97,156) | (220,215) | (317,371) |
| Net Assets Released from Restrictions | <u>100,726</u> | <u>(100,726)</u> | | <u>82,149</u> | <u>(82,149)</u> | |
| Total Support and Revenues | 1,406,621 | 256,862 | 1,663,483 | (15,007) | (302,364) | (317,371) |
| Expenses | | | | | | |
| Program services | | | | | | |
| Vision screening & aid to Visually Impaired | 279,534 | | 279,534 | 258,116 | | 258,116 |
| Supporting services | | | | | | |
| Management and general | 112,903 | | 112,903 | 107,590 | | 107,590 |
| Fundraising | <u>58,707</u> | | <u>58,707</u> | <u>58,079</u> | | <u>58,079</u> |
| Total Expenses | 451,144 | | 451,144 | 423,785 | | 423,785 |
| Non-operating Income (Expense) | | | | | | |
| Donation to University of Louisville | (20,000) | | (20,000) | | | |
| Paycheck Protection Program loan forgiveness | | | | 43,000 | | 43,000 |
| Change in Net Assets | 935,477 | 256,862 | 1,192,339 | (395,792) | (302,364) | (698,156) |
| Net Assets Beginning of Year | <u>2,402,250</u> | <u>2,462,507</u> | <u>4,864,757</u> | <u>2,798,042</u> | <u>2,764,871</u> | <u>5,562,913</u> |
| Net Assets End of Year | <u>\$ 3,337,727</u> | <u>\$ 2,719,369</u> | <u>\$ 6,057,096</u> | <u>\$ 2,402,250</u> | <u>\$ 2,462,507</u> | <u>\$ 4,864,757</u> |

See Notes to Financial Statements

Statements of Functional Expenses

Kentucky Lions Eye Foundation, Inc.

| | Year Ended June 30, 2023 | | | | Year Ended June 30, 2022 | | | |
|--|---|-----------------------------------|------------------|-------------------|---|-----------------------------------|------------------|-------------------|
| | Program Services | Support Services | | | Program Services | Support Services | | |
| | Vision Screening & Aid to Visually Impaired | Manage- ment and General | Fund- raising | Total | Vision Screening & Aid to Visually Impaired | Manage- ment and General | Fund- raising | Total |
| Accounting and legal | \$ 32,934 | \$ 26,447 | \$ 5,002 | \$ 64,383 | \$ 11,570 | \$ 28,945 | \$ 2,613 | \$ 43,128 |
| Compensation and benefits | 143,971 | 77,118 | 43,936 | 265,025 | 129,001 | 66,586 | 44,682 | 240,269 |
| Convention/meeting expense | 2,783 | 86 | 3,700 | 6,569 | 2,420 | 119 | 3,240 | 5,779 |
| Depreciation | 24,359 | | | 24,359 | 18,127 | | | 18,127 |
| Development | 1,034 | 1,207 | 1,207 | 3,448 | 1,535 | 1,791 | 1,791 | 5,117 |
| Finis Davis fellowship expense | | 964 | | 964 | | 751 | | 751 |
| Assistance to visually impaired - Holloran expenses | 5,272 | | | 5,272 | 14,860 | | | 14,860 |
| Patron Fund | 32,347 | | | 32,347 | 30,106 | | | 30,106 |
| Insurance | 10,528 | | | 10,528 | 3,660 | | | 3,660 |
| Miscellaneous | 9,571 | 2,585 | 1,911 | 14,067 | 9,801 | 2,660 | 2,326 | 14,787 |
| Office and other supplies | 3,316 | 3,520 | 1,794 | 8,630 | 3,927 | 4,102 | 2,080 | 10,109 |
| Public relations | | | | | 3,163 | 1,400 | | 4,563 |
| Telephone and pagers | 2,139 | 511 | 507 | 3,157 | 3,335 | 636 | 507 | 4,478 |
| Travel | 743 | 465 | 650 | 1,858 | 960 | 600 | 840 | 2,400 |
| Vision Screening Program | 10,537 | | | 10,537 | 25,651 | | | 25,651 |
| Total Expenses | \$ 279,534 | \$ 112,903 | \$ 58,707 | \$ 451,144 | \$ 258,116 | \$ 107,590 | \$ 58,079 | \$ 423,785 |

See Notes to Financial Statements

Statements of Cash Flows

Kentucky Lions Eye Foundation, Inc.

| | Year Ended June 30 | |
|---|---------------------------|-------------------|
| | 2023 | 2022 |
| Operating Activities | | |
| Change in net assets | \$ 1,192,339 | \$ (698,156) |
| Adjustments | | |
| Depreciation | 24,359 | 18,127 |
| Forgiveness of Paycheck Protection Program loan | | (43,000) |
| Net investment (income) loss | (393,717) | 598,675 |
| Changes in certain operating assets and liabilities | | |
| Accounts receivable | (1,875) | 24,328 |
| Service endowment pledges receivable | | 1,050 |
| Other assets | (2,744) | (1,887) |
| Accounts payable and accrued expenses | 29,657 | 5,906 |
| Deferred revenue | (125) | (2,458) |
| Net Cash Provided By (Used In) Operating Activities | 847,894 | (97,415) |
| Investing Activities | | |
| Proceeds from sales of investments | 5,290,753 | 1,125,133 |
| Purchases of investments | (5,854,636) | (1,624,772) |
| Purchases of property and equipment | (55,674) | (80,964) |
| Net Cash Used In Investing Activities | (619,557) | (580,603) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 228,337 | (678,018) |
| Cash and Cash Equivalents Beginning of Year | 250,310 | 928,328 |
| Cash and Cash Equivalents End of Year | \$ 478,647 | \$ 250,310 |

See Notes to Financial Statements

Notes to Financial Statements

Kentucky Lions Eye Foundation, Inc.

June 30, 2023 and 2022

Note A--Description of Organization

The Kentucky Lions Eye Foundation, Inc. (the "Foundation") is a nonprofit organization whose mission is to provide vision services through education, detection, prevention, treatment and empowerment by conducting eye screenings, assisting individuals that are not financially capable of obtaining proper eye care, and supporting eye research. The Foundation's support comes primarily from donor contributions.

The Foundation's support of research is accomplished primarily through a permanently restricted donation of approximately \$1,700,000 that it made to the University of Louisville Foundation, Inc. in prior years to endow a professorship chair at the University of Louisville and to establish the Kentucky Lions Fund for Eye Research. These endowment funds are not included in the accompanying financial statements.

Note B--Summary of Significant Accounting Policies

Financial Statement Presentation--The accompanying financial statements have been prepared to focus on the Foundation as a whole and to present 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) based upon the existence or absence of donor-imposed restrictions. Board-designated amounts are legally unrestricted and are reported as part of net assets without restrictions.

Net Assets Without Donor Restrictions

Undesignated (Operating Fund)--This is the general operating fund of the Foundation. It is used to account for all financial resources except those required to be accounted for in another fund.

Board Designated Funds--These funds consist of the KLEF Trust Fund which was established for investment purposes whereby the dividend and interest income is used to support general fund operations or board designated purposes. Any increase in the value of the corpus of the trust due to increased value of investments is to remain in the corpus unless approved by a two-thirds majority of the Board of Directors, at which time they may be utilized for other purposes.

Net Assets With Donor Restrictions

Holloran, KidSight, and Mobile Vision Van Funds--These funds have been restricted by the donor, grantor, or outside parties for particular operating purposes.

Patron Fund--This fund was established by the past district governors of Lions Multiple District 43 as an endowment to provide income to be used for "above basic" eye care assistance. In accordance with restrictions established by the donor, realized and unrealized gains and losses, to the extent of gains, are to remain as part of the corpus of this fund.

Service Endowment Fund--Contributions to this fund are permanently restricted as an endowment, the income from which is restricted to support service programs of the Foundation.

Continued

Notes to Financial Statements--Continued

Kentucky Lions Eye Foundation, Inc.

June 30, 2023 and 2022

Note B--Summary of Significant Accounting Policies--Continued

Contributions--Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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.

Nonfinancial Contributions--Nonfinancial contributions are recorded at fair value and recognized as support and expenses in the accounting period when they are received. During the fiscal years ended June 30, 2023 and 2022, respectively, the Foundation recorded below-market rental expense of \$11,071 annually.

The Foundation receives donations of services from a variety of unpaid volunteers and Lions Clubs. No amounts have been recognized in the accompanying statements of activities because the services do not meet the criteria for recognition under GAAP.

Cash and Cash Equivalents--The Foundation considers all short-term, highly liquid investments with a maturity of three months or less to be cash equivalents.

Accounts Receivable--Management periodically reviews the collectability of accounts receivable, and any amounts determined to be uncollectible are charged off to bad debt expense. All accounts receivable were considered to be fully collectible at June 30, 2023 and 2022, thus no allowance for uncollectible accounts receivable has been recorded.

Investments--Investments are recorded at fair value. Donated investments are recorded at their fair value as of the date received. Purchases and sales are recorded on a trade-date basis. Realized and unrealized gains and losses as well as interest and dividend income are included in net investment income in the statements of activities. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Property and Equipment--Property and equipment are recorded at cost if purchased, or at fair market value if contributed. Depreciation is provided over the estimated useful life of each depreciable asset and is computed on the straight-line method. Acquisitions of property and equipment in excess of \$1,000 are capitalized. Repair and maintenance costs are expensed as incurred. When property and equipment is sold, the cost and the related accumulated depreciation are removed from accounts and the resulting gain or loss is recorded.

Impairment of Long-Lived Assets--Management of the Foundation reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. There were no charges for impairments of long-lived assets during the fiscal years ended June 30, 2023 or 2022.

Fair Value of Financial Instruments--The carrying amounts for current assets and liabilities approximate their fair value due to their short maturity.

Continued

Notes to Financial Statements--Continued

Kentucky Lions Eye Foundation, Inc.

June 30, 2023 and 2022

Note B--Summary of Significant Accounting Policies--Continued

Accounting principles generally accepted in the United States of America ("GAAP") prescribes a comprehensive model of how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. There was no impact on the Foundation's financial statements as a result of the application of these accounting principles.

Income Taxes--The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes has been made in the accompanying financial statements. They had no unrelated business income for the fiscal years ended June 30, 2023 or 2022.

Functional Expenses--Direct expenses are charged to program services, support services or fundraising based on specific identification. Indirect expenses have been allocated among the programs and supporting services benefited.

Use of Estimates--The preparation of financial statements in accordance with GAAP 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 support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note C--Concentrations

Investments--The Foundation maintains its investment portfolio at one investment firm. The Securities Investor Protection Corporation ("SIPC") protects against the loss of cash and securities (but not a decline in value of securities) held by a customer at a SIPC-member brokerage firm up to \$500,000, which includes a \$250,000 limit for cash. At June 30, 2023 and 2022, the Foundation's investment account balances exceeded the SIPC insured amount by approximately \$4,454,000 and \$3,996,400, respectively.

Note D--Investments

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of other than quoted prices within Level 1 that are observable for valuing the asset either directly or indirectly, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. All of the Foundation's investments were valued using Level 1 inputs as of June 30, 2023 and 2022.

Level 1 Fair Value Measurements

The fair value of mutual funds is reported at the net asset value of the shares held by the Foundation at year end. The fair value of bonds and government securities and common stocks are based on quoted market prices in active markets.

Continued

Notes to Financial Statements--Continued

Kentucky Lions Eye Foundation, Inc.

June 30, 2023 and 2022

Note D--Investments--Continued

Investments consist of the following:

| June 30, 2023 | | | |
|------------------------------------|---|---------------------|--|
| | Quoted Market Prices in Active Markets (Level 1) | Cost | Unrealized Gains (Losses) |
| Short-Term Investments | | | |
| Cash equivalents | \$ 4,796,868 | \$ 4,796,868 | |
| Long-Term Investments | | | |
| Mutual funds | 244,411 | 260,595 | \$ (16,184) |
| Common stocks | 412,678 | 339,388 | 73,290 |
| Total Long-Term Investments | 657,089 | 599,983 | 57,106 |
| Total Investments | <u>\$ 5,453,957</u> | <u>\$ 5,396,851</u> | <u>\$ 57,106</u> |
| June 30, 2022 | | | |
| | Quoted Market Prices in Active Markets (Level 1) | Cost | Unrealized Gains (Losses) |
| Short-Term Investments | | | |
| Cash equivalents | \$ 367,950 | \$ 367,950 | |
| Long-Term Investments | | | |
| Government securities | 208,932 | 214,223 | \$ (5,291) |
| Bonds | 651,331 | 703,021 | (51,690) |
| Mutual funds | 222,258 | 249,589 | (27,331) |
| Common stocks | 3,045,886 | 2,150,664 | 895,222 |
| Total Long-Term Investments | 4,128,407 | 3,317,497 | 810,910 |
| Total Investments | <u>\$ 4,496,357</u> | <u>\$ 3,685,447</u> | <u>\$ 810,910</u> |

Continued

Notes to Financial Statements--Continued

Kentucky Lions Eye Foundation, Inc.

June 30, 2023 and 2022

Note D--Investments--Continued

Investment income (loss), net is summarized as follows:

| | June 30 | |
|---|-------------------|---------------------|
| | 2023 | 2022 |
| Dividend and interest income | \$ 88,970 | \$ 78,999 |
| Realized and unrealized gains (losses), net | 343,067 | (637,156) |
| Total Investment Income (Loss) | 432,037 | (558,157) |
| Less investment fees | 38,320 | 40,518 |
| Investment Income (Loss), Net | \$ 393,717 | \$ (598,675) |

Note E--Endowments

GAAP provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). They also require additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

Endowments Funds

The Foundation's endowment funds consist of the Board Designated Funds and the Net Assets with Donor Restrictions Funds described in Note B. The Foundation's investment and management of donor-restricted endowment funds is governed by UPMIFA and its own governing documents. UPMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UPMIFA.

The restriction on the endowment fund is summarized in the following table:

| Endowment Funds | Description |
|------------------------|---|
| Service Endowment | Earnings are restricted for program services. |
| Patron Fund | Earnings are restricted for program services. |

Continued

Notes to Financial Statements--Continued

Kentucky Lions Eye Foundation, Inc.

June 30, 2023 and 2022

Note E--Endowments--Continued

Endowment Investment Policy

The Foundation has adopted an investment policy, approved by the Board of Trustees, for endowment assets that attempts to provide a systematic and growing stream of funds to the Foundation to support its activities. The investment policy guidelines utilize a balanced approach that provides a range and a target asset mix between cash equivalents, fixed income and equity investments.

Endowment Spending Policy

Interest and dividends shall be transferred annually to the program's operating account and expended in accordance with each program's guidelines. Gains on investments of net assets with donor-restricted assets shall remain in Corpus. Investment gains on board designated assets shall remain in Corpus until the Board of Trustees approves their transfer to undesignated net assets without donor restrictions for their use. Up to 4% of the 3-year average of prior June 30 market values can be withdrawn annually from KLEF investments to fund part of the operational budget. The spending policy will be reviewed at least annually by the Board of Trustees for appropriateness. Up to 4% of the 3-year average of prior June 30 market values can be withdrawn annually from KLEF investments to fund part of the operational budget. The spending policy will be reviewed at least annually by the Board of Trustees for appropriateness.

Changes in endowment net assets during the fiscal years ended June 30, 2023 and 2022 are as follows:

| | With Donor Restrictions | | |
|--|--------------------------------|------------------------------|---------------------|
| | Patron Fund | Service Endowment | Total |
| Endowment Net Assets | | | |
| Balance at July 1, 2021 | \$ 1,976,194 | \$ 416,137 | \$ 2,392,331 |
| Investment loss, net of investment expenses | (301,006) | (65,125) | (366,131) |
| Balance at June 30, 2022 | 1,675,188 | 351,012 | 2,026,200 |
| Investment income, net of investment expenses | 164,821 | 2,543 | 167,364 |
| Contributions | | 350 | 350 |
| Total Change in Net Assets | 164,821 | 2,893 | 167,714 |
| Balance at June 30, 2023 | <u>\$ 1,840,009</u> | <u>\$ 353,905</u> | <u>\$ 2,193,914</u> |

Notes to Financial Statements--Continued

Kentucky Lions Eye Foundation, Inc.

June 30, 2023 and 2022

Note F--Property and Equipment

Property and equipment consists of the following:

| | June 30 | |
|------------------------------------|-------------------|-------------------|
| | 2023 | 2022 |
| Eye screening equipment | \$ 540,493 | \$ 484,819 |
| Renovations | 26,116 | 26,116 |
| Transportation equipment | 84,487 | 84,487 |
| Office equipment and software | 69,221 | 69,221 |
| | 720,317 | 664,643 |
| Less accumulated depreciation | 549,386 | 525,027 |
| Property and Equipment, Net | \$ 170,931 | \$ 139,616 |

Note G--Retirement Plans

KLEF sponsors a "simple" 401(k) plan, into which employees may make elective contributions to the plan out of their gross pay, with such contributions being matched by KLEF up to 3% of the eligible employee's gross pay. Employer contributions of \$5,485 and \$4,947 were incurred during 2023 and 2022, respectively.

Note H--Paycheck Protection Program Loan Forgiveness

In February 2021, KLEF obtained a second United States Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loan of \$43,000. PPP loans, when used for certain expenses (payroll, retirement contributions, health insurance costs, rent and utilities), can be forgiven. Any portion of these loans not used for qualifying costs will be payable over two years at an interest rate of 1%. The PPP loans are administered by the SBA through an eligible lender.

In June 2020, the American Institute of Certified Public Accountants and the Financial Accounting Standards Board provided technical guidance which stated that the proceeds from SBA PPP loans could be accounted for as either debt or a government grant. Management elected to account for this unique lending vehicle as debt. Under this method, the proceeds of these loans will remain recorded as a liability until either the loans are, in part or wholly, forgiven and KLEF has been legally released or the loans are paid off.

The second PPP Loan of \$43,000 from the SBA was forgiven in full on September 10, 2021.

Notes to Financial Statements--Continued

Kentucky Lions Eye Foundation, Inc.

June 30, 2023 and 2022

Note I--Net Assets With Donor Restrictions

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

| | June 30 | |
|--|---------------------|---------------------|
| | 2023 | 2022 |
| Subject to Expenditure For Specified Purpose: | | |
| Assistance to needy for above basic eye care (Endowed Patron Fund) | \$ 525,455 | \$ 436,307 |
| Subject to Foundation's Endowment Spending Policy and Appropriation | | |
| Service Endowment | 353,905 | 351,012 |
| Patron Fund | 1,840,009 | 1,675,188 |
| | <u>2,193,914</u> | <u>2,026,200</u> |
| Total Net Assets with Donor Restrictions | <u>\$ 2,719,369</u> | <u>\$ 2,462,507</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

| | June 30 | |
|--|-------------------|------------------|
| | 2023 | 2022 |
| Assistance to visually impaired (Holloran Fund) | \$ 5,272 | \$ 14,860 |
| Assistance for mobile eye screening (Mobile Vision Van) | 4,730 | 24,343 |
| Assistance to needy for above basic eye care (Patron Fund) | 32,360 | 32,273 |
| Assistance to children's photo screening (KidSight) | 129 | 773 |
| Assistance with fixed asset purchases | 58,235 | 9,900 |
| Total Net Assets Released from Restrictions | <u>\$ 100,726</u> | <u>\$ 82,149</u> |

Notes to Financial Statements--Continued

Kentucky Lions Eye Foundation, Inc.

June 30, 2023 and 2022

Note J--Liquidity

The Foundation's major sources of revenue and support are contributions, and even though these sources can fluctuate significantly from year to year, the Foundation has a strong cash position to cover its monthly financial obligations.

The following table reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations.

| | June 30 | |
|---|---------------------|---------------------|
| | 2023 | 2022 |
| Cash and cash equivalents | \$ 478,647 | \$ 250,310 |
| Accounts receivable, to be collected in less than one year | 9,106 | 7,231 |
| Pledges receivable, due in less than one year | | 500 |
| Investments | 5,453,957 | 4,496,357 |
| Total Financial Assets, Excluding Noncurrent Receivables | 5,941,710 | 4,754,398 |
| Contractual or donor-imposed restrictions: | | |
| Net assets restricted by donors for specified purposes | (525,455) | (436,307) |
| Net assets restricted in perpetuity | (2,193,914) | (2,026,200) |
| Board designations: | | |
| Operating reserves and other | (1,190,802) | (1,129,010) |
| Financial Assets Available to Meet Cash Needs for Expenditures Within One Year | \$ 2,031,539 | \$ 1,162,881 |

Note K--Related Parties

Effective January 1, 2017, the Foundation's Board of Trustees approved a re-organization plan whereby its University of Louisville eye bank operations were transferred to a newly organized not-for-profit entity, The Eye Bank of Kentucky (formerly known as the Kentucky Lions Eye Bank) (the "KLEB"), which also acquired the eye bank assets and operations of the University of Kentucky Eye Bank. The Foundation appoints a majority of the governing board of KLEB.

KLEB is contractually obligated to pay contributions of 40% of its net operating cash flows to the Foundation. Total amount paid to the Foundation under this contractual agreement amounted to \$208,970 and \$5,106 in 2023 and 2022, respectively, which is recorded in Other Income on the statement of activities.

GAAP requires consolidation of the KLEB. The Foundation has not consolidated the KLEB in these financial statements.

Notes to Financial Statements--Continued

Kentucky Lions Eye Foundation, Inc.

June 30, 2023 and 2022

Note L--Subsequent Events

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes to financial statements. Management evaluated the activity of the Foundation through June 21, 2024 and concluded that no subsequent events required disclosure within the notes to the financial statements except as noted below.

In November 2023, the Foundation reached a buyout settlement agreement with KLEB in which KLEB agreed to pay the Foundation \$800,000 and the 40% of its net operating cash flows for the quarter ending September 30, 2023 in the amount of \$36,072. This agreement concluded any and all affiliation between the organizations and there are no longer any financial or other obligations between the organizations. The Foundation will no longer appoint members to the governing board of KLEB.