

Audited Consolidated Financial Statements  
and Consolidating Information

2019

**Kentucky Lions Eye Foundation, Inc. and Affiliate**

June 30, 2019 and 2018



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<b>Independent Auditors' Report</b> .....	1
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position .....	3
Consolidated Statements of Activities .....	4
Consolidated Statements of Functional Expenses .....	5
Consolidated Statements of Cash Flows .....	6
Notes to Consolidated Financial Statements .....	7
<b>Consolidating Information</b>	
Consolidating Statement of Financial Position .....	18
Consolidating Statement of Activities .....	19



## **Independent Auditors' Report**

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

We have audited the accompanying consolidated financial statements of Kentucky Lions Eye Foundation, Inc. and Affiliate (collectively referred to as the "Foundation"), which are comprised of the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from 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 auditors consider internal control relevant to the Foundation'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 Foundation'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 the Kentucky Lions Eye Foundation, Inc. and Affiliate as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note B, the Foundation adopted the requirements of Financial Accounting Standards Board, *Accounting Standards Update* No. 2016-14 (New Not-for-Profit Reporting Model), retroactive to 2018. Our opinion is not modified with respect to this matter.

### **Reclassification**

As discussed in Note J, contributions and net assets with and without donor restrictions have been restated as of June 30, 2018 to properly record a contribution with donor restrictions.

### **Report on Consolidating Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 18 through 19 is presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, results of operations and cash flows of the individual entities, and is not a required part of the consolidated 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 consolidating 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.

  
Louisville, Kentucky  
November 1, 2019

Consolidated Statements of Financial Position

**Kentucky Lions Eye Foundation, Inc. and Affiliate**

	<b>June 30</b>	
	<u><b>2019</b></u>	<u><b>2018</b></u>
<b>Assets</b>		
Cash and cash equivalents	\$ 640,166	\$ 480,004
Restricted cash and cash equivalents	63,285	44,703
Accounts receivable	421,587	371,751
Service endowment pledges receivable, net of discount	14,870	14,870
Investments	3,353,875	2,986,925
Property and equipment, net of accumulated depreciation	307,926	308,522
Other assets	<u>37,746</u>	<u>23,162</u>
<b>Total Assets</b>	<u><u>\$ 4,839,455</u></u>	<u><u>\$ 4,229,937</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 226,879	\$ 317,956
Deferred revenue	<u>6,000</u>	<u>2,500</u>
<b>Total Liabilities</b>	232,879	320,456
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	1,693,217	1,212,542
Board designated	<u>993,671</u>	<u>953,634</u>
<b>Total Net Assets Without Donor Restrictions</b>	2,686,888	2,166,176
With donor restrictions		
Endowments	1,697,434	1,476,242
Other	<u>222,254</u>	<u>267,063</u>
<b>Total Net Assets With Donor Restrictions</b>	<u>1,919,688</u>	<u>1,743,305</u>
<b>Total Net Assets</b>	<u>4,606,576</u>	<u>3,909,481</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 4,839,455</u></u>	<u><u>\$ 4,229,937</u></u>

See Notes to Consolidated Financial Statements

Consolidated Statements of Activities

Kentucky Lions Eye Foundation, Inc. and Affiliate

	Year Ended June 30, 2019			Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues</b>						
Eyebank processing fees	\$ 2,977,250		\$ 2,977,250	\$ 2,673,340		\$ 2,673,340
Donations						
Patron Fund		\$ 127,485	127,485		\$ 147,082	147,082
Kidsight		13,976	13,976	138	11,297	11,435
General	80,293	106,865	187,158	54,862	136,978	191,840
Basketball banquet/game revenue						
Less direct benefits to donors						
			\$ 52,480			
			31,633			
Investment income, net	9,301		9,301	20,847		20,847
Other income	163,973	102,527	266,500	111,578	131,312	242,890
	27,334		27,334	21,065		21,065
<b>Net Assets Released from Restrictions</b>						
	3,258,151	350,853	3,609,004	2,881,830	426,669	3,308,499
	174,470	(174,470)		135,705	(135,705)	
<b>Total Support and Revenues</b>	3,432,621	176,383	3,609,004	3,017,535	290,964	3,308,499
<b>Expenses</b>						
Program services						
Eye Banking	1,747,154		1,747,154	1,690,501		1,690,501
Vision screening & aid to Visually Impaired	115,264		115,264	128,788		128,788
Supporting services						
Management and general Fundraising	1,048,002		1,048,002	1,105,239		1,105,239
	1,489		1,489	1,643		1,643
<b>Total Expenses</b>	2,911,909		2,911,909	2,926,171		2,926,171
<b>Change in Net Assets</b>	520,712	176,383	697,095	91,364	290,964	382,328
<b>Net Assets Beginning of Year</b>	2,166,176	1,743,305	3,909,481	2,074,812	1,452,341	3,527,153
<b>Net Assets End of Year</b>	\$ 2,686,888	\$ 1,919,688	\$ 4,606,576	\$ 2,166,176	\$ 1,743,305	\$ 3,909,481

See Notes to Consolidated Financial Statements

Consolidated Statements of Functional Expenses

Kentucky Lions Eye Foundation, Inc. and Affiliate

	Year Ended June 30, 2019				Year Ended June 30, 2018				
	Program Services		Support Services		Program Services		Support Services		
	Eye Banking	Screening & Aid to Visually Impaired	Management and General	Fund-raising	Eye Banking	Screening & Aid to Visually Impaired	Management and General	Fund-raising	
Accounting and legal			\$ 44,338	\$			\$ 79,875	\$	79,875
Public relations			15,352				6,844		6,844
Transportation expenses	\$ 62,432	\$ 7,678			\$ 68,027	\$ 6,482			74,509
Bad debt expense			355				1,650		1,650
Basketball banquet/game expenses									
Compensation and benefits	770,107		578,718	\$ 626	680,120		595,256	\$ 954	1,276,330
Contract services	115,015		8,827	662	67,648		29,379	404	67,648
Convention/meeting expense	87,575		10,818		293,180		13,891		29,783
Cornea imports	64,171	44,923	37,915		49,383	72,703	36,219		293,180
Depreciation									135,977
Dues	6,488		1,255		2,986	80	659		36,219
Equipment and maintenance	60,846		60,846						3,066
Finis Davis fellowship expense									659
Contributions									
Assistance to visually impaired -									
Holloran expenses		14,983				17,042			17,042
Patron Fund		47,680				32,481			32,481
Insurance			36,798				27,970		27,970
Interest			615				122		122
KODA and answering service			184,800				162,754		162,754
Lab fees	267,040				264,975				264,975
Lab supplies	241,480				191,021				191,021
Medical director	72,000				72,000				72,000
Miscellaneous			2,192	201	1,161		3,466	127	4,754
Office and other supplies			73,018				83,877	158	84,035
Telephone and pagers			19,998				28,492		28,492
Travel			33,003				34,785		34,785
<b>Total Expenses</b>	<b>\$ 1,747,154</b>	<b>\$ 115,264</b>	<b>\$ 1,048,002</b>	<b>\$ 1,489</b>	<b>\$ 1,690,501</b>	<b>\$ 128,788</b>	<b>\$ 1,105,239</b>	<b>\$ 1,643</b>	<b>\$ 2,926,171</b>

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

**Kentucky Lions Eye Foundation, Inc. and Affiliate**

	<b>Year Ended June 30</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating Activities</b>		
Change in net assets	\$ 697,095	\$ 382,328
Adjustments		
Depreciation	119,912	135,977
Net realized and unrealized gain on investments	(197,067)	(213,711)
Support and revenues for restricted purposes	(130,829)	(214,203)
Change in discount for service endowment pledges receivable		(1,162)
Changes in certain operating assets and liabilities		
Accounts receivable	(49,836)	(44,297)
Other assets	(14,584)	(10,786)
Accounts payable and accrued expenses	(91,077)	30,272
Deferred revenue	3,500	2,500
	<u>337,114</u>	<u>66,918</u>
<b>Net Cash Provided By Operating Activities</b>		
<b>Investing Activities</b>		
Proceeds from sales of investments	1,141,987	1,040,811
Purchases of investments	(1,276,820)	(761,304)
Investment fees	(35,050)	(37,249)
Purchases of property and equipment	(119,316)	(67,680)
	<u>(289,199)</u>	<u>174,578</u>
<b>Net Cash Provided By (Used In) Investing Activities</b>		
<b>Financing Activities</b>		
Support and revenues for restricted purposes	<u>130,829</u>	<u>214,203</u>
<b>Net Increase in Cash and Cash Equivalents</b>		
	178,744	455,699
<b>Cash and Cash Equivalents Beginning of Year</b>		
	<u>524,707</u>	<u>69,008</u>
<b>Cash and Cash Equivalents End of Year</b>		
	<u>\$ 703,451</u>	<u>\$ 524,707</u>
<b>Cash and cash equivalents</b>		
	\$ 640,166	\$ 480,004
<b>Restricted cash and cash equivalents</b>		
	<u>63,285</u>	<u>44,703</u>
<b>Cash and Cash Equivalents End of Year</b>		
	<u>\$ 703,451</u>	<u>\$ 524,707</u>

See Notes to Consolidated Financial Statements



Notes to Consolidated Financial Statements

**Kentucky Lions Eye Foundation, Inc. and Affiliate**

June 30, 2019 and 2018

**Note A--Description of Organization**

The Kentucky Lions Eye Foundation, Inc. and its affiliated organization, the Kentucky Lions Eye Bank (collectively referred to as the "Foundation") are nonprofit organizations whose mission is to prevent and cure blindness by supporting eye research, conducting eye screenings, supporting eye clinics and operating the University of Louisville and the University of Kentucky eye bank operations. The Foundation also assists individuals that are not financially capable of obtaining proper eye care. The Foundation's support comes primarily from processing fees at the eye bank and 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 consolidated financial statements; however, the Foundation serves in an advisory capacity in the use of the income from these funds.

Effective January 1, 2017, the Kentucky Lions Eye Foundation, Inc.'s ("KLEF") 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, KLEB, Inc. d/b/a Kentucky Lions Eye Bank ("KLEB"), which also acquired the eye bank assets and operations of the University Kentucky Eye Bank. KLEF appoints a majority of the governing board of KLEB.

KLEB will distribute to the KLEF a minimum of 40% of its net cash flows from its operating activities and 10% each to the University of Louisville and the University of Kentucky. Payments in the amount of \$293,569 and \$87,946 were incurred for the fiscal years ended June 30, 2019 and 2018, respectively.

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

Financial Statement Presentation--The accompanying consolidated 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.

Continued

**Kentucky Lions Eye Foundation, Inc. and Affiliate**

June 30, 2019 and 2018

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

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.

Patrons 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.

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 consolidated statements of activities as net assets released from restrictions.

In-kind contributions are recorded at fair value and recognized as support and expenses in the accounting period when they are received.

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, 2019 and 2018, 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 consolidated statements of activities. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Continued

Notes to Consolidated Financial Statements--Continued

**Kentucky Lions Eye Foundation, Inc.**

June 30, 2019 and 2018

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

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.

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, 2019 or 2018.

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

Income Tax Status--KLEF and KLEB are 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 consolidated financial statements. They had no unrelated business income for the fiscal years ended June 30, 2019 or 2018.

Accounting principles generally accepted in the United States of America prescribe 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 consolidated financial statements as a result of the application of these accounting principles.

Donated Services--The Foundation receives donations of services from a variety of unpaid volunteers and Lions' Clubs. No amounts have been recognized in the accompanying consolidated statements of activities because the services do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

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 consolidated financial statements in accordance 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 consolidated financial statements, and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications--Certain reclassifications have been made to the 2018 financial statements in order for them to be in conformity with the 2019 financial statement presentation.

Continued

**Kentucky Lions Eye Foundation, Inc.**

June 30, 2019 and 2018

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

New Accounting Pronouncement--During the year ended June 30, 2019, the Organization adopted the requirements of the Financial Accounting Standards Board's *Accounting Standards Update* ("ASU") No. 2016-14--Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU No. 2016-14"). This standard 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 between not-for-profit entities. A key change required by ASU No. 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions, and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note I).

**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, 2019 and 2018, the Foundation's investment account balances exceeded the SIPC insured amount by approximately \$2,853,000 and \$2,486,000, respectively.

**Note D--Service Endowment Pledges Receivable**

Service endowment pledges consist of the following:

	<b>June 30</b>	
	<u>2019</u>	<u>2018</u>
Service endowment pledges	\$ 16,550	\$ 16,550
Discount of multi-year pledges to present value	<u>(1,680)</u>	<u>(1,680)</u>
<b>Service Endowment Pledges Receivable, Net of Discount</b>	<u><u>\$ 14,870</u></u>	<u><u>\$ 14,870</u></u>
 <b><u>Expected Year of Collection</u></b>		
Less than 1 year		\$ 6,550
1 - 5 years		<u>10,000</u>
		<u><u>\$ 16,550</u></u>

Continued

**Kentucky Lions Eye Foundation, Inc. and Affiliate**

June 30, 2019 and 2018

**Note D--Service Endowment Pledges Receivable--Continued**

Service endowment pledges are discounted to fair value using a discount rate of 3.4% as of June 30, 2019.

Management periodically assesses the collectability of endowment pledges, and any amounts deemed uncollectible are charged to bad debt expense. All pledges are considered to be fully collectible at June 30, 2019 and 2018, thus no allowance for uncollectible pledges has been recorded.

**Note E--Investments**

Generally accepted accounting principles establish 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, 2019 and 2018.

Investments consist of the following:

	<b>June 30, 2019</b>		
	<b>Quoted Market Prices in Active Markets (Level 1)</b>	<b>Cost</b>	<b>Unrealized Gains</b>
<b>Short-Term Investments</b>			
Cash equivalents	\$ 255,485	\$ 255,485	
<b>Long-Term Investments</b>			
Government securities	229,755	225,994	\$ 3,761
Bonds	513,453	499,817	13,636
Mutual funds	236,567	226,377	10,190
Common stocks	<u>2,118,615</u>	<u>1,422,663</u>	<u>695,952</u>
<b>Total Long-Term Investments</b>	<u>3,098,390</u>	<u>2,374,851</u>	<u>723,539</u>
<b>Total Investments</b>	<u>\$ 3,353,875</u>	<u>\$ 2,630,336</u>	<u>\$ 723,539</u>

Continued

Notes to Consolidated Financial Statements--Continued

**Kentucky Lions Eye Foundation, Inc. and Affiliate**

June 30, 2019 and 2018

**Note E--Investments--Continued**

	<b>June 30, 2018</b>		
	<b>Quoted Market Prices in Active Markets (Level 1)</b>	<b>Cost</b>	<b>Unrealized Gains (Losses)</b>
<b>Short-Term Investments</b>			
Cash equivalents	\$ 209,428	\$ 209,428	
<b>Long-Term Investments</b>			
Government securities	154,167	154,123	\$ 44
Bonds	425,733	428,921	(3,188)
Mutual funds	117,304	122,035	(4,731)
Common stocks	<u>2,080,293</u>	<u>1,539,740</u>	<u>540,553</u>
<b>Total Long-Term Investments</b>	<u>2,777,497</u>	<u>2,244,819</u>	<u>532,678</u>
<b>Total Investments</b>	<u>\$ 2,986,925</u>	<u>\$ 2,454,247</u>	<u>\$ 532,678</u>

Investment income is summarized as follows:

	<b>June 30</b>	
	<b>2019</b>	<b>2018</b>
Dividend and interest income	\$ 104,483	\$ 66,428
Realized and unrealized gains, net	<u>197,067</u>	<u>213,711</u>
<b>Total Investment Income</b>	301,550	280,139
Less investment fees	<u>35,050</u>	<u>37,249</u>
<b>Investment Income, net</b>	<u>\$ 266,500</u>	<u>\$ 242,890</u>

**Kentucky Lions Eye Foundation, Inc. and Affiliate**

June 30, 2019 and 2018

**Note F--Endowments**

Generally accepted accounting principles provide 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:

<u>Endowment Funds</u>	<u>Description</u>
Service Endowment	Earnings are restricted for program services.
Patron Fund	Earnings are restricted for program services.

Endowment Investment Policy

The Foundation has adopted an investment policy, approved by the Board of Directors, 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.

Continued

Notes to Consolidated Financial Statements--Continued

**Kentucky Lions Eye Foundation, Inc. and Affiliate**

June 30, 2019 and 2018

**Note F--Endowments--Continued**

Changes in endowment net assets during the fiscal years ended June 30, 2019 and 2018 are as follows:

	<b>With Donor Restrictions</b>		
	<b>Patron Fund</b>	<b>Service Endowment</b>	<b>Total</b>
<b>Endowment Net Assets</b>			
<b>Balance at July 1, 2017</b>	\$ 1,107,033	\$ 266,464	\$ 1,373,497
Net realized and unrealized gains on investments, net of investment expenses	87,253	12,310	99,563
Contributions	2,020	1,162	3,182
<b>Total Change in Net Assets</b>	<b>89,273</b>	<b>13,472</b>	<b>102,745</b>
<b>Balance at June 30, 2018</b>	1,196,306	279,936	1,476,242
Net realized and unrealized gains on investments, net of investment expenses	81,850	8,513	90,363
Contributions	130,829		130,829
<b>Total Change in Net Assets</b>	<b>212,679</b>	<b>8,513</b>	<b>221,192</b>
<b>Balance at June 30, 2019</b>	<b>\$ 1,408,985</b>	<b>\$ 288,449</b>	<b>\$ 1,697,434</b>



Notes to Consolidated Financial Statements--Continued

**Kentucky Lions Eye Foundation, Inc. and Affiliate**

June 30, 2019 and 2018

**Note G--Property and Equipment**

Property and equipment consists of the following:

	<b>June 30</b>	
	<b>2019</b>	<b>2018</b>
Eye banking equipment	\$ 331,013	\$ 216,326
Screening equipment	539,980	539,980
Transportation equipment	68,864	68,864
Office equipment and software	170,888	166,259
Leasehold improvements	6,504	6,504
	<u>1,117,249</u>	<u>997,933</u>
Less accumulated depreciation	809,323	689,411
<b>Property and Equipment, Net</b>	<b><u>\$ 307,926</u></b>	<b><u>\$ 308,522</u></b>

**Note H--Net Assets With Donor Restrictions**

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

	<b>June 30</b>	
	<b>2019</b>	<b>2018</b>
<b>Subject to Expenditure For Specified Purpose:</b>		
Assistance to needy for above basic eye care (Endowed Patron Fund)	\$ 158,969	\$ 175,438
Assistance for cornea replacement (Eye Bank)	63,285	44,703
Assistance to visually impaired (Holloran Fund)		46,922
	<u>222,254</u>	<u>267,063</u>
<b>Subject to Organizations Endowment Spending Policy and Appropriation</b>		
Patron Fund	1,408,985	1,196,306
Service Endowment	288,449	279,936
	<u>1,697,434</u>	<u>1,476,242</u>
<b>Total Net Assets with Donor Restrictions</b>	<b><u>\$ 1,919,688</u></b>	<b><u>\$ 1,743,305</u></b>

Continued

Notes to Consolidated Financial Statements--Continued

**Kentucky Lions Eye Foundation, Inc. and Affiliate**

June 30, 2019 and 2018

**Note H--Net Assets With Donor Restrictions--Continued**

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

	<b>June 30</b>	
	<b>2019</b>	<b>2018</b>
Assistance to visually impaired (Holloran Fund)	\$ 15,408	\$ 17,591
Assistance for mobile eye screening (Mobile Vision Van)	3,328	9,092
Assistance to needy for above basic eye care	47,255	30,337
Assistance to children's photo screening (Kidsight)	2,071	2,626
Assistance for other service programs	18,125	9,883
Assistance for cornea replacement and fixed asset purchases	<u>88,283</u>	<u>66,176</u>
<b>Total Net Assets Released from Restrictions</b>	<b><u>\$ 174,470</u></b>	<b><u>\$ 135,705</u></b>

**Note I--Liquidity**

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

The following table reflects the Organization'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.

Continued

Notes to Consolidated Financial Statements--Continued

**Kentucky Lions Eye Foundation, Inc. and Affiliate**

June 30, 2019 and 2018

**Note I--Liquidity--Continued**

	<b>June 30</b>	
	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 703,451	\$ 524,707
Accounts receivable, to be collected in less than one year	421,587	371,751
Pledges receivable, net, collected in less than one year	6,550	6,550
Investments	<u>3,353,875</u>	<u>2,986,925</u>
Total financial assets, excluding noncurrent receivables	4,485,463	3,889,933
Contractual or donor-imposed restrictions:		
Net assets restricted by donors for specified purposes	(222,254)	(267,063)
Net assets restricted in perpetuity	(1,697,434)	(1,476,242)
Board designations:		
Operating reserves and other	<u>(993,671)</u>	<u>(953,634)</u>
<b>Financial Assets Available to Meet Cash Needs for Expenditures Within One Year</b>	<u>\$ 1,572,104</u>	<u>\$ 1,192,994</u>

**Note J--Reclassification of Net Assets**

The Organization received a contribution of approximately \$110,000 in 2018 which was restricted by the donor, but was recorded then as a contribution without donor restrictions. To properly reflect this contribution as donor restricted, this contribution has been reclassified to donor restricted on the statement of activities for 2018, with a corresponding restatement of net assets released from restrictions of \$66,176. The net assets as of June 30, 2018 has been restated to reflect the amount of net assets with donor restrictions remaining at that date of \$44,703, with a corresponding reduction in the amount of net assets without donor restrictions as of that date.

**Note K--Subsequent Events**

Events that occur after the statement of financial position date but before the consolidated 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 consolidated 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 consolidated financial statements. Management evaluated the activity of the Foundation through November 1, 2019, and concluded that the no subsequent events required disclosure within the notes to the consolidated financial statements.

## **Consolidating Information**

Consolidating Statement of Financial Position

**Kentucky Lions Eye Foundation, Inc. and Affiliate**

June 30, 2019

	<u>Kentucky Lions Eye Foundation</u>	<u>Kentucky Lions Eye Bank</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 267,432	\$ 372,734		\$ 640,166
Restricted cash and cash equivalents		63,285		63,285
Accounts receivable	66,894	414,419	\$ (59,726)	421,587
Note receivable for KLEB	125,000		(125,000)	
Service endowment pledges receivable	14,870			14,870
Investments	3,353,875			3,353,875
Property and equipment, net of nd amortization	37,053	270,873		307,926
Other assets	9,735	28,011		37,746
	<u>3,874,859</u>	<u>1,149,322</u>	<u>(184,726)</u>	<u>4,839,455</u>
<b>Total Assets</b>	<b>\$ 3,874,859</b>	<b>\$ 1,149,322</b>	<b>\$ (184,726)</b>	<b>\$ 4,839,455</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 6,359	\$ 280,246	\$ (59,726)	\$ 226,879
Notes payable KLEF		125,000	(125,000)	
Deferred revenue	6,000			6,000
	<u>12,359</u>	<u>405,246</u>	<u>(184,726)</u>	<u>232,879</u>
<b>Total Liabilities</b>	<b>12,359</b>	<b>405,246</b>	<b>(184,726)</b>	<b>232,879</b>
<b>Net Assets</b>				
Without restrictions				
Undesignated	1,012,426	680,791		1,693,217
Board designated	993,671			993,671
	<u>2,006,097</u>	<u>680,791</u>		<u>2,686,888</u>
<b>Total Net Assets Without Restrictions</b>	<b>2,006,097</b>	<b>680,791</b>		<b>2,686,888</b>
With restrictions				
Endowments	1,697,434			1,697,434
Other	158,969	63,285		222,254
	<u>1,856,403</u>	<u>63,285</u>		<u>1,919,688</u>
<b>Total Net Assets With Restrictions</b>	<b>1,856,403</b>	<b>63,285</b>		<b>1,919,688</b>
<b>Total Net Assets</b>	<b>3,862,500</b>	<b>744,076</b>		<b>4,606,576</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,874,859</b>	<b>\$ 1,149,322</b>	<b>\$ (184,726)</b>	<b>\$ 4,839,455</b>

See Independent Auditors' Report

Consolidating Statement of Activities

**Kentucky Lions Eye Foundation, Inc. and Affiliate**

Year Ended June 30, 2019

	<u>Kentucky Lions Eye Foundation</u>	<u>Kentucky Lions Eye Bank</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Net Assets Without Restrictions</b>				
<b>Support and Revenues</b>				
Eyebank processing fees		\$ 2,977,250		\$ 2,977,250
Donations	\$ 77,943	2,350		80,293
Basketball banquet/game revenue	\$ 48,988			
Less direct benefits to donors	<u>39,687</u>			
	9,301			9,301
Investment income, net	163,973			163,973
Other income	<u>230,768</u>	<u>939</u>	<u>\$ (204,373)</u>	<u>27,334</u>
<b>Total Support and Revenues</b>	481,985	2,980,539	(204,373)	3,258,151
<b>Net Assets Released from Restrictions</b>				
	<u>86,187</u>	<u>88,283</u>		<u>174,470</u>
<b>Total Unrestricted Support and Revenues</b>	568,172	3,068,822	(204,373)	3,432,621
<b>Expenses</b>				
Program services				
Eye Banking	101	1,942,766	(195,713)	1,747,154
Vision screening & aid to Visually Impaired	115,264			115,264
Supporting services				
Management and general	270,277	786,385	(8,660)	1,048,002
Fundraising	<u>1,489</u>			<u>1,489</u>
<b>Total Expenses</b>	<u>387,131</u>	<u>2,729,151</u>	<u>(204,373)</u>	<u>2,911,909</u>
<b>Change in Net Assets Without Restrictions</b>	181,041	339,671		520,712
<b>Net Assets With Restrictions</b>				
<b>Support and Revenues</b>				
Donations	141,461	106,865		248,326
Investment income, net	<u>102,527</u>			<u>102,527</u>
<b>Total Support and Revenues</b>	243,988	106,865		350,853
<b>Net Assets Released from Restrictions</b>				
	<u>(86,187)</u>	<u>(88,283)</u>		<u>(174,470)</u>
<b>Change in Net Assets With Restrictions</b>	<u>157,801</u>	<u>18,582</u>		<u>176,383</u>
<b>Change in Net Assets</b>	338,842	358,253		697,095
<b>Net Assets Beginning of Year</b>	<u>3,523,658</u>	<u>385,823</u>		<u>3,909,481</u>
<b>Net Assets End of Year</b>	<u>\$ 3,862,500</u>	<u>\$ 744,076</u>	<u>\$</u>	<u>\$ 4,606,576</u>

See Independent Auditors' Report