

Audited Consolidated Financial Statements
and Consolidating Information

2020

Kentucky Lions Eye Foundation, Inc. and Affiliate

June 30, 2020 and 2019



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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, 2020 and 2019, 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, 2020 and 2019, 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 Principles

As discussed in Note P, the Foundation adopted the requirements of Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* in 2020. The Organization also adopted the requirements of FASB ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Prior Period Restatement

As discussed in Note R to the consolidated financial statements, an overstatement of depreciation expense and accumulated depreciation prior to June 30, 2019 was discovered and corrected during the current year. Our opinion is not modified with respect to this matter.

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 21 through 22 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
February 5, 2021

Consolidated Statements of Financial Position

Kentucky Lions Eye Foundation, Inc. and Affiliate

	June 30	
	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 1,154,946	\$ 640,166
Restricted cash and cash equivalents	273,894	63,285
Accounts receivable	339,680	421,587
Service endowment pledges receivable, net of discount	9,870	14,870
Investments	3,570,343	3,353,875
Property and equipment, net of accumulated depreciation	320,518	379,109
Other assets	23,094	37,746
	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 5,692,345</u></u>	<u><u>\$ 4,910,638</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 221,247	\$ 232,879
Paycheck Protection Program loan payable	272,500	
	<u> </u>	<u> </u>
Total Liabilities	493,747	232,879
Net Assets		
Without donor restrictions		
Undesignated	1,928,622	1,726,166
Board designated	982,921	993,671
	<u> </u>	<u> </u>
Total Net Assets Without Donor Restrictions	2,911,543	2,719,837
With donor restrictions		
Endowments	1,855,306	1,735,668
Other	431,749	222,254
	<u> </u>	<u> </u>
Total Net Assets With Donor Restrictions	2,287,055	1,957,922
	<u> </u>	<u> </u>
Total Net Assets	<u><u>5,198,598</u></u>	<u><u>4,677,759</u></u>
Total Liabilities and Net Assets	<u><u>\$ 5,692,345</u></u>	<u><u>\$ 4,910,638</u></u>

See Notes to Consolidated Financial Statements

Consolidated Statements of Activities

Kentucky Lions Eye Foundation, Inc. and Affiliate

	Year Ended June 30, 2020			Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues						
Eyebank processing fees	\$ 2,510,649		\$ 2,510,649	\$ 2,977,250		\$ 2,977,250
Donations						
Patron Fund		\$ 36,602	36,602		\$ 127,485	127,485
General	367,295	264,895	632,190	91,364	106,865	198,229
Kidsight					13,976	13,976
Basketball banquet revenue	\$ 46,126			\$ 48,988		
Less direct benefits to donors	<u>10,515</u>			<u>39,687</u>		
	35,611		35,611	9,301		9,301
Investment income, net	101,155	138,190	239,345	125,739	140,761	266,500
Other income	<u>32,262</u>		<u>32,262</u>	<u>62,926</u>		<u>62,926</u>
	3,046,972	439,687	3,486,659	3,266,580	389,087	3,655,667
Net Assets Released from Restrictions	<u>110,554</u>	<u>(110,554)</u>		<u>174,470</u>	<u>(174,470)</u>	
Total Support and Revenues	3,157,526	329,133	3,486,659	3,441,050	214,617	3,655,667
Expenses						
Program services						
Eye Banking	1,932,811		1,932,811	1,986,209		1,986,209
Vision screening & aid to Visually Impaired	214,471		214,471	242,813		242,813
Supporting services						
Management and general	779,237		779,237	670,779		670,779
Fundraising	<u>39,301</u>		<u>39,301</u>	<u>23,179</u>		<u>23,179</u>
Total Expenses	<u>2,965,820</u>		<u>2,965,820</u>	<u>2,922,980</u>		<u>2,922,980</u>
Change in Net Assets	191,706	329,133	520,839	518,070	214,617	732,687
Net Assets Beginning of Year	<u>2,719,837</u>	<u>1,957,922</u>	<u>4,677,759</u>	<u>2,201,767</u>	<u>1,743,305</u>	<u>3,945,072</u>
Net Assets End of Year	<u>\$ 2,911,543</u>	<u>\$ 2,287,055</u>	<u>\$ 5,198,598</u>	<u>\$ 2,719,837</u>	<u>\$ 1,957,922</u>	<u>\$ 4,677,759</u>

See Notes to Consolidated Financial Statements

Consolidated Statements of Functional Expenses

Kentucky Lions Eye Foundation, Inc. and Affiliate

Year Ended June 30, 2020

Year Ended June 30, 2019

	Year Ended June 30, 2020				Year Ended June 30, 2019					
	Program Services		Support Services		Program Services		Support Services			
	Eye Banking	Vision Screening & Aid to Visually Impaired	Management and General	Fund-raising	Total	Eye Banking	Vision Screening & Aid to Visually Impaired	Management and General	Fund-raising	Total
Accounting and legal			\$ 61,143		\$ 61,143			\$ 44,338		\$ 44,338
Public relations			19,962		19,962			15,352		15,352
Transportation expenses	\$ 55,199	\$ 7,515			62,714	\$ 62,432	\$ 7,678			70,110
Compensation and benefits	648,803	120,430	473,560	\$ 33,344	1,276,137	770,107	127,549	429,293	\$ 21,690	1,348,639
Contract services	89,160				89,160	115,015				115,015
Convention/meeting expense			7,512		7,512			8,827	662	9,489
Cornea imports	289,185				289,185	87,575				87,575
Depreciation	65,495	44,922	16,166		126,583	64,171	44,923	10,818		119,912
Development				5,957	5,957				626	626
License and accreditation	44,817				44,817	37,915				37,915
Equipment and maintenance	7,742				7,742	6,488				6,488
Finis Davis fellowship expense			1,015		1,015			1,255		1,255
Contributions	30,618				30,618	60,846				60,846
Assistance to visually impaired -										
Holloran expenses		7,237			7,237		14,983			14,983
Patron Fund		33,011			33,011		47,680			47,680
Kidsight		1,356			1,356					
Insurance			34,968		34,968			36,798		36,798
KODA service	176,000				176,000	184,800				184,800
Lab fees	247,635				247,635	267,040				267,040
Lab supplies	201,817				201,817	241,480				241,480
Medical director	60,000				60,000	72,000				72,000
Miscellaneous			36,979		36,979			14,419	201	14,620
Office and other supplies			101,211		101,211			73,018		73,018
Telephone and pagers	16,340		8,196		24,536	16,340		3,658		19,998
Travel			18,525		18,525			33,003		33,003
Total Expenses	\$ 1,932,811	\$ 214,471	\$ 779,237	\$ 39,301	\$ 2,965,820	\$ 1,986,209	\$ 242,813	\$ 670,779	\$ 23,179	\$ 2,922,980

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

Kentucky Lions Eye Foundation, Inc. and Affiliate

	Year Ended June 30	
	2020	2019
Operating Activities		
Change in net assets	\$ 520,839	\$ 732,687
Adjustments		
Depreciation	126,583	119,912
Net investment return	(208,791)	(267,709)
Support and revenues for restricted purposes	(7,600)	(130,829)
Changes in certain operating assets and liabilities		
Accounts receivable	81,907	(49,836)
Service endowment pledges receivable	5,000	
Other assets	14,652	(14,584)
Accounts payable and accrued expenses	(11,632)	(87,577)
Net Cash Provided By Operating Activities	520,958	302,064
Investing Activities		
Proceeds from sales of investments	1,293,593	1,141,987
Purchases of investments	(1,301,270)	(1,276,820)
Purchases of property and equipment	(67,992)	(119,316)
Net Cash Used In Investing Activities	(75,669)	(254,149)
Financing Activities		
Support and revenues for restricted purposes	7,600	130,829
Proceeds from Paycheck Protection Program loan	272,500	
Net Cash Provided By Financing Activities	280,100	130,829
Net Increase in Cash and Cash Equivalents	725,389	178,744
Cash and Cash Equivalents Beginning of Year	703,451	524,707
Cash and Cash Equivalents End of Year	\$ 1,428,840	\$ 703,451
Cash and cash equivalents	\$ 1,154,946	\$ 640,166
Restricted cash and cash equivalents	273,894	63,285
Cash and Cash Equivalents End of Year	\$ 1,428,840	\$ 703,451

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

Kentucky Lions Eye Foundation, Inc. and Affiliate

June 30, 2020 and 2019

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 provide vision services through education, detection, prevention, treatment and empowerment and to restore sight through corneal transplant, ocular research and medical education by conducting eye screenings, assisting individuals that are not financially capable of obtaining proper eye care, supporting eye research, and operating the Kentucky Lions Eye Bank. The Foundation's support comes primarily from processing fees at the eye bank and 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.

Also effective January 1, 2017, the KLEB began making contractually obligated contributions of 40% of its net operating cash flows to the KLEF, and 10% of its net operating cash flows each to the University of Louisville and the University of Kentucky, on a quarterly basis. As of January 1, 2020, KLEB ceased making these payments to the University of Louisville and the University of Kentucky. Total amounts paid under these contractual arrangements amounted to \$155,844 and \$256,559 during the years ended June 30, 2020 and 2019, 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

Notes to Consolidated Financial Statements--Continued

Kentucky Lions Eye Foundation, Inc. and Affiliate

June 30, 2020 and 2019

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--In-kind 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, 2020 and 2019, respectively, the Foundation record in-kind rental income and expense for \$11,071 annually.

Eye Bank Processing Fees--The Foundation through KLEB receives fees from surgical centers and hospitals for harvesting and providing cornea tissue for transplants. These fees are earned as the tissue is delivered to the medical facilities.

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, 2020 and 2019, thus no allowance for uncollectible accounts receivable has been recorded.

Continued

Kentucky Lions Eye Foundation, Inc. and Affiliate

June 30, 2020 and 2019

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

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.

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, 2020 or 2019.

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, 2020 or 2019.

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 2019 financial statement balances have been reclassified to conform to 2020 presentation.

Kentucky Lions Eye Foundation, Inc. and Affiliate

June 30, 2020 and 2019

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, 2020 and 2019, the Foundation's investment account balances exceeded the SIPC insured amount by approximately \$3,073,000 and \$2,853,000, respectively.

Revenue--The Foundation through KLEB earned processing fees of approximately 40% and 42% from three customers during 2020 and 2019, respectively. These customers accounted for approximately 27% and 31% of the Foundation's accounts receivable at June 30, 2020 and 2019, respectively.

Note D--Service Endowment Pledges Receivable

Service endowment pledges consist of the following:

	June 30	
	2020	2019
Service endowment pledges	\$ 11,550	\$ 16,550
Discount of multi-year pledges to present value	<u>(1,680)</u>	<u>(1,680)</u>
Service Endowment Pledges Receivable, Net of Discount	<u>\$ 9,870</u>	<u>\$ 14,870</u>

Expected Year of Collection

Less than 1 year	\$ 1,550
1 - 5 years	
5+ years	<u>10,000</u>
	<u>\$ 11,550</u>

Service endowment pledges are discounted to fair value using a discount rate of 3.4% as of June 30, 2020.

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, 2020 and 2019, thus no allowance for uncollectible pledges has been recorded.

Kentucky Lions Eye Foundation, Inc. and Affiliate

June 30, 2020 and 2019

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, 2020 and 2019.

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.

Investments consist of the following:

	June 30, 2020		
	Quoted Market Prices in Active Markets (Level 1)	Cost	Unrealized Gains
Short-Term Investments			
Cash equivalents	\$ 241,267	\$ 241,267	
Long-Term Investments			
Government securities	185,480	180,690	\$ 4,790
Bonds	586,200	563,616	22,584
Mutual funds	243,351	219,471	23,880
Common stocks	2,314,045	1,555,269	758,776
	Total Long-Term Investments	2,519,046	810,030
	Total Investments	\$ 2,760,313	\$ 810,030

Continued

Notes to Consolidated Financial Statements--Continued

Kentucky Lions Eye Foundation, Inc. and Affiliate

June 30, 2020 and 2019

Note E--Investments--Continued

	June 30, 2019		
	Quoted Market Prices in Active Markets (Level 1)	Cost	Unrealized Gains
Short-Term Investments			
Cash equivalents	\$ 255,485	\$ 255,485	
Long-Term Investments			
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	2,118,615	1,422,663	695,952
	Total Long-Term Investments	2,374,851	723,539
	Total Investments	\$ 2,630,336	\$ 723,539

Investment income is summarized as follows:

	June 30	
	2020	2019
Dividend and interest income	\$ 101,296	\$ 104,483
Realized and unrealized gains, net	173,295	197,067
	Total Investment Income	301,550
	Less investment fees	35,050
	Investment Income, net	\$ 266,500

Kentucky Lions Eye Foundation, Inc. and Affiliate

June 30, 2020 and 2019

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, 2020 and 2019

Note F--Endowments--Continued

Changes in endowment net assets during the fiscal years ended June 30, 2020 and 2019 are as follows:

	With Donor Restrictions		
	Patron Fund	Service Endowment	Total
Endowment Net Assets			
Balance at July 1, 2018	\$ 1,196,306	\$ 279,936	\$ 1,476,242
Investment income, net of investment expenses	110,886	17,711	128,597
Contributions	130,829		130,829
Total Change in Net Assets	241,715	17,711	259,426
Balance at June 30, 2019	1,438,021	297,647	1,735,668
Investment income, net of investment expenses	74,611	37,427	112,038
Contributions	7,600		7,600
Total Change in Net Assets	82,211	37,427	119,638
Balance at June 30, 2020	\$ 1,520,232	\$ 335,074	\$ 1,855,306

Notes to Consolidated Financial Statements--Continued

Kentucky Lions Eye Foundation, Inc. and Affiliate

June 30, 2020 and 2019

Note G--Property and Equipment

Property and equipment consists of the following:

	June 30	
	2020	2019
Eye banking equipment	\$ 378,265	\$ 331,013
Screening equipment	539,980	539,980
Transportation equipment	63,566	68,864
Office equipment and software	170,888	170,888
Leasehold improvements	6,504	6,504
	<u>1,159,203</u>	<u>1,117,249</u>
Less accumulated depreciation	838,685	738,140
	<u><u>320,518</u></u>	<u><u>379,109</u></u>
Property and Equipment, Net	\$ 320,518	\$ 379,109

Note H--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 \$2,961 and \$3,962 were incurred during 2020 and 2019 respectively.

KLEB has a 401(k) plan covering all full-time employees. The KLEB contributes 3% of all eligible employees' gross pay and matches all 401(k) contributions up to 5% of the eligible employee's gross pay. Employer contributions of \$40,823 and \$45,919 were incurred during 2020 and 2019 respectively.

Kentucky Lions Eye Foundation, Inc. and Affiliate

June 30, 2020 and 2019

Note I--Lease Commitments

KLEB leases office space under an operating lease agreement with a twenty-eight month term which commenced on September 1, 2017. During 2019, KLEB extended the term of the lease through December 31, 2024. Rent expense for 2020 and 2019 was \$33,365 and \$17,700, respectively. Future minimum lease payments are as follows:

<u>Year Ending June 30</u>	
2021	\$ 46,884
2022	20,400
2023	20,400
2024	20,400
2025	<u>10,200</u>
	<u>\$ 118,284</u>

Note J--Paycheck Protection Program Loan Payable

In April 2020, KLEB obtained a United States Small Business Administration (“SBA”) Paycheck Protection Program loan (“PPP”) of \$230,000. Also in April 2020, KLEF obtained a SBA PPP loan of \$42,500. These 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 KLEB/KLEF have been legally released or the loans are paid off.

Effective on December 28, 2020, KLEF was informed that this PPP loan had been officially forgiven.

Note K--Line of Credit

KLEB has a line of credit with a bank for \$50,000, of which none has been accessed as of June 30, 2020 or 2019. This line of credit is uncollateralized, bears interest at 5.43% and expires in February 2021.

Kentucky Lions Eye Foundation, Inc. and Affiliate

June 30, 2020 and 2019

Note L--Net Assets With Donor Restrictions

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

	June 30	
	2020	2019
Subject to Expenditure For Specified Purpose:		
Assistance to needy for above basic eye care (Endowed Patron Fund)	\$ 157,855	\$ 158,969
Assistance for cornea replacement (Eye Bank)	273,894	63,285
	<u>431,749</u>	<u>222,254</u>
Subject to Organizations Endowment Spending Policy and Appropriation		
Patron Fund	1,520,232	1,447,219
Service Endowment	335,074	288,449
	<u>1,855,306</u>	<u>1,735,668</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 2,287,055</u></u>	<u><u>\$ 1,957,922</u></u>

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

	June 30	
	2020	2019
Assistance to visually impaired (Holloran Fund)	\$ 7,241	\$ 15,408
Assistance for mobile eye screening (Mobile Vision Van)	14,237	3,328
Assistance to needy for above basic eye care	33,030	47,255
Assistance to children's photo screening (Kidsight)	1,760	2,071
Assistance for other service programs		18,125
Assistance for cornea replacement and fixed asset purchases	54,286	88,283
	<u>110,554</u>	<u>174,470</u>
Total Net Assets Released from Restrictions	<u><u>\$ 110,554</u></u>	<u><u>\$ 174,470</u></u>

Notes to Consolidated Financial Statements--Continued

Kentucky Lions Eye Foundation, Inc. and Affiliate

June 30, 2020 and 2019

Note M--Liquidity

The Foundation'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 Foundation has a strong cash position to cover its monthly financial obligations.

KLEB has a line of credit for \$50,000, none of which has been accessed, available for additional liquidity at June 30, 2020.

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	
	2020	2019
Cash and cash equivalents	\$ 1,428,840	\$ 703,451
Accounts receivable, to be collected in less than one year	339,680	421,587
Pledges receivable, due in less than one year	1,550	16,550
Investments	<u>3,570,343</u>	<u>3,353,875</u>
Total Financial Assets, Excluding Noncurrent Receivables	5,340,413	4,495,463
Contractual or donor-imposed restrictions:		
Net assets restricted by donors for specified purposes	(431,749)	(222,254)
Net assets restricted in perpetuity	(1,855,306)	(1,697,434)
Board designations:		
Operating reserves and other	<u>(982,921)</u>	<u>(993,671)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 2,070,437</u>	<u>\$ 1,582,104</u>

Note N--Contingencies

In March 2020, the World Health Organization declared the spread of Coronavirus Disease ("COVID-19") a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Foundation, COVID-19 may impact various parts of its fiscal years 2020 and 2021 operations and financial results. In addition, both domestic and international equity markets have experienced significant fluctuations/declines since June 30, 2020. Management believes the Foundation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown, cannot be reasonably estimated, and are still developing.

Kentucky Lions Eye Foundation, Inc. and Affiliate

June 30, 2020 and 2019

Note O--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 February 5, 2021, and concluded that the no subsequent events required disclosure within the notes to the consolidated financial statements.

Note P--Adoption of New Accounting Principles

The Foundation adopted the requirements of the FASB Accounting Standards Update ("ASU") No. 2014-09—*Revenue from Contracts with Customers* (Topic 606), related to the timing of recognizing revenue. The core principle of the adoption of ASU No. 2014-09 consists of recognizing revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those goods or services. Presentation and disclosure requirements include the disaggregation of revenue, contract balances, and determining the transaction price and performance obligations. The standard has been applied retrospectively and it had no material effect for the years ended June 30, 2020 and 2019.

The Foundation adopted the requirements of FASB's ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in the current year, applying the changes using a modified prospective approach. This update clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The Foundation has adopted the guidance in the ASU as of July 1, 2019; however, adoption did not materially impact the Foundation's consolidated financial statements.

Note Q--Future Accounting Pronouncements

On February 25, 2016, the FASB issued ASU No. 2016-02 *Leases* (Topic 842). This new standard, which the Foundation is not required to adopt until its year ending June 30, 2023, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statements of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

On September 17, 2020, the FASB issued ASU No. 2020-07 *Not-for-Profit Entities* (Topic 958). This new standard, which the Foundation is not required to adopt until its year ending June 30, 2022, is intended to increase transparency for contributed nonfinancial assets through enhancements to presentation and disclosure. Nonfinancial assets include property and equipment, use of property and equipment or utilities, materials and supplies, services and unconditional promises of those assets.

The Foundation is presently evaluating the effects that these ASUs will have on its future consolidated financial statements, including related disclosures.

Notes to Consolidated Financial Statements--Continued

Kentucky Lions Eye Foundation, Inc. and Affiliate

June 30, 2020 and 2019

Note R--Prior Period Restatement

During 2020, it was discovered that depreciation expense recorded in prior years had been calculated in error, causing accumulated depreciation as of June 30, 2019 and prior to likewise be overstated. This resulted in the recognition of a prior period adjustment as follows:

	<u>Accumulated Depreciation</u>	<u>Net Assets Without Donor Restrictions</u>
July 1, 2018, as Previously Reported	\$ 689,411	\$ 2,166,176
Depreciation correction for years prior to July 1, 2018	<u>(35,591)</u>	<u>35,591</u>
July 1, 2018, as Restated	<u>\$ 653,820</u>	<u>\$ 2,201,767</u>

Consolidating Information

Consolidating Statement of Financial Position

Kentucky Lions Eye Foundation, Inc. and Affiliate

June 30, 2020

	<u>Kentucky Lions Eye Foundation</u>	<u>Kentucky Lions Eye Bank</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets				
Cash and cash equivalents	\$ 611,455	\$ 543,491		\$ 1,154,946
Restricted cash and cash equivalents		273,894		273,894
Accounts receivable	71,613	332,059	\$ (63,992)	339,680
Note receivable from KLEB	60,000		(60,000)	
Service endowment pledges receivable	9,870			9,870
Investments	3,570,343			3,570,343
Property and equipment, net of depreciation and amortization	63,314	257,204		320,518
Other assets	6,757	16,337		23,094
Total Assets	<u>\$ 4,393,352</u>	<u>\$ 1,422,985</u>	<u>\$ (123,992)</u>	<u>\$ 5,692,345</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 31,816	\$ 253,423	\$ (63,992)	\$ 221,247
Paycheck Protection Program loan payable	42,500	230,000		272,500
Notes payable to KLEF		60,000	(60,000)	
Total Liabilities	74,316	543,423	(123,992)	493,747
Net Assets				
Without restrictions				
Undesignated	1,322,954	605,668		1,928,622
Board designated	982,921			982,921
Total Net Assets Without Restrictions	2,305,875	605,668		2,911,543
With restrictions				
Endowments	1,855,306			1,855,306
Other	157,855	273,894		431,749
Total Net Assets With Restrictions	2,013,161	273,894		2,287,055
Total Net Assets	<u>4,319,036</u>	<u>879,562</u>		<u>5,198,598</u>
Total Liabilities and Net Assets	<u>\$ 4,393,352</u>	<u>\$ 1,422,985</u>	<u>\$ (123,992)</u>	<u>\$ 5,692,345</u>

See Independent Auditors' Report

Consolidating Statement of Activities

Kentucky Lions Eye Foundation, Inc. and Affiliate

Year Ended June 30, 2020

	<u>Kentucky Lions Eye Foundation</u>	<u>Kentucky Lions Eye Bank</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net Assets Without Restrictions				
Support and Revenues				
Eyebank processing fees		\$ 2,510,649		\$ 2,510,649
Donations	\$ 355,572	11,723		367,295
Basketball banquet revenue, net direct benefits to donors	35,611			35,611
Investment income, net	101,155			101,155
Other income	160,881	2,664	\$ (131,283)	32,262
Total Support and Revenues	653,219	2,525,036	(131,283)	3,046,972
Net Assets Released from Restrictions	56,268	54,286		110,554
Total Unrestricted Support and Revenues	709,487	2,579,322	(131,283)	3,157,526
Expenses				
Program services				
Eye Banking		2,058,037	(125,226)	1,932,811
Vision screening & aid to Visually Impaired	214,471			214,471
Supporting services				
Management and general	188,886	596,408	(6,057)	779,237
Fundraising	39,301			39,301
Total Expenses	442,658	2,654,445	(131,283)	2,965,820
Change in Net Assets Without Restrictions	266,829	(75,123)		191,706
Net Assets With Restrictions				
Support and Revenues				
Donations	36,602	264,895		301,497
Investment income, net	138,190			138,190
Total Support and Revenues	174,792	264,895		439,687
Net Assets Released from Restrictions	(56,268)	(54,286)		(110,554)
Change in Net Assets With Restrictions	118,524	210,609		329,133
Change in Net Assets	385,353	135,486		520,839
Net Assets Beginning of Year	3,933,683	744,076		4,677,759
Net Assets End of Year	<u>\$ 4,319,036</u>	<u>\$ 879,562</u>	<u>\$</u>	<u>\$ 5,198,598</u>

See Independent Auditors' Report