

**MACULA VISION
RESEARCH FOUNDATION
FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

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Independent Auditor's Report

Board of Directors
Macula Vision Research Foundation
Conshohocken, Pennsylvania

We have audited the accompanying financial statements of Macula Vision Research Foundation (a Pennsylvania nonprofit corporation), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Macula Vision Research Foundation as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Macula Vision Research Foundation's 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 10, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information on page 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



January 7, 2016

**MACULA VISION RESEARCH FOUNDATION
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014**

ASSETS

	2015	2014
Current assets		
Cash	\$ 138,897	\$ 379,515
Unconditional promises to give	700,000	500,000
Prepaid expenses	32,575	6,000
Total current assets	871,472	885,515
Investments in marketable securities	493,037	510,644
Property and equipment, net	5,192	6,717
	\$ 1,369,701	\$ 1,402,876

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 95,498	\$ 82,424
Awards and grants payable	800,000	900,000
Total current liabilities	895,498	982,424
Awards and grants payable, noncurrent	400,000	400,000
Net assets:		
Unrestricted	(525,797)	(496,940)
Temporarily restricted	100,000	17,392
Permanently restricted	500,000	500,000
	74,203	20,452
	\$ 1,369,701	\$ 1,402,876

The accompanying notes are an integral part of these statements.

**MACULA VISION RESEARCH FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30**

	2015			2014 (Note 1)
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions and grants	\$ 2,121,376	\$ 100,000	\$ -	\$ 2,221,376
Donated services	-	-	-	100,702
Investment income	13,180	-	-	8,807
Net investment gain (loss)	(17,617)	-	-	(17,617)
Other	-	-	-	2,188
Net assets released from restrictions	17,392	(17,392)	-	-
	<u>2,134,331</u>	<u>82,608</u>	<u>-</u>	<u>2,216,939</u>
Expenses:				
Program services	1,896,812	-	-	2,501,367
Management and general	148,117	-	-	214,468
Fundraising	118,259	-	-	223,353
	<u>2,163,188</u>	<u>-</u>	<u>-</u>	<u>2,163,188</u>
Change in net assets	(28,857)	82,608	-	(210,761)
Net assets (deficit) at beginning of year	(496,940)	17,392	500,000	20,452
Net assets (deficit) at end of year	<u>\$ (525,797)</u>	<u>\$ 100,000</u>	<u>\$ 500,000</u>	<u>\$ 74,203</u>
				<u>\$ 20,452</u>

The accompanying notes are an integral part of these statements.

**MACULA VISION RESEARCH FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 53,751	\$ (210,761)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,526	1,516
Net (appreciation) depreciation of investments	17,617	(8,795)
Contributions restricted for endowment	-	(500,000)
Changes in assets and liabilities:		
Unconditional promises to give	(200,000)	344,661
Prepaid expenses	(26,575)	23,000
Accounts payable and accrued expenses	13,063	72,899
Awards and grants payable	<u>(100,000)</u>	<u>575,000</u>
Net cash (used) provided by operating activities	<u>(240,618)</u>	<u>297,520</u>
Cash Flows from investing activities:		
Purchase of investments	-	(1,008,265)
Proceeds from sale of investments	<u>-</u>	<u>506,417</u>
Net cash used in investing activities	<u>-</u>	<u>(501,848)</u>
Cash flows from financing activities:		
Contributions restricted for endowment	<u>-</u>	<u>500,000</u>
Net cash provided by financing activities	<u>-</u>	<u>500,000</u>
Net increase (decrease) in cash	(240,618)	295,672
Cash at beginning of year	<u>379,515</u>	<u>83,843</u>
Cash at end of year	<u>\$ 138,897</u>	<u>\$ 379,515</u>

The accompanying notes are an integral part of these statements.

MACULA VISION RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

(1) Summary of Accounting Policies

Nature of Activities

The Macula Vision Research Foundation (the "Foundation") is a 501(c)(3) Pennsylvania non-profit organization dedicated to curing macular degeneration and related retinal diseases. The Foundation funds research conducted by top scientists who are working to find treatments and a cure for these diseases.

Basis of Presentation

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30 of the prior year, from which the summarized information was derived.

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire in the same reporting period in which the support is recognized.

Investments

Investments are stated at fair value based on quoted market prices or reported net asset values of registered investment companies. Realized and unrealized gains and losses are included in the statements of activities. See Notes (2) and (4).

MACULA VISION RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

(1) Summary of Accounting Policies - Continued

Awards and Grants Payable

Awards and grants payable represents all unconditional grants that have been authorized prior to year-end, but remain unpaid as of the statement of financial position date. Awards and grants are due as follows for the fiscal years ending September 30:

2016	\$ 800,000
2017	400,000
	<u>\$1,200,000</u>

Income Taxes

The Foundation is exempt from tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation recognizes tax benefits only if it is more likely than not that a tax position will be sustained upon examination. No liability for uncertain tax positions was recorded as of September 30, 2014.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

Management has performed an evaluation of subsequent events through January 7, 2016, which is the date the Foundation's financial statements were available to be issued.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MACULA VISION RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

(1) Summary of Accounting Policies - Continued

Related Party Transactions

The Foundation receives a substantial portion of its support from organizations controlled and/or managed by certain directors of the Foundation. These funds are used to pay for administrative and fundraising expenses incurred allowing philanthropic funds from unrelated individual supporters and organizations to go directly to fund macular degeneration research.

Unconditional promises to give in the Statement of Financial Position included \$500,000 at September 30, 2015 and 2014 from The Karen and Herbert Lotman Foundation, a private foundation founded by certain directors of the Foundation. Contributions and grants represented by this Foundation were 61% and 23% for the years ended September 30, 2015 and 2014, respectively.

The direct payment of staff compensation as well as other program, administrative and fundraising expenses are paid by organizations controlled and/or managed by certain directors of the Foundation and subsequently reimbursed by the Foundation on a quarterly basis. Accounts payable at September 30, 2015 include \$84,494 owed to these organizations.

Certain members of the Board of Directors are part of the Foundation's International Scientific Advisory Board ("ISAB"). In fiscal years 2015 and 2014, each of these board members were awarded \$50,000 research grant related to macular degeneration. In addition, the Chairman of the ISAB received an additional payment of \$50,000 for professional services.

MACULA VISION RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

(2) Investments

U.S. generally accepted accounting principles (GAAP) define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. Based on the valuation inputs, the securities or other investments are tiered into one of three levels within the GAAP hierarchy:

Level 1 – Prices are determined using quoted prices in an active market for identical assets.

Level 2 – Prices are determined using other significant observable inputs.

Level 3 – Prices are determined using significant observable inputs. In situations where quoted prices or observable inputs are unavailable, unobservable inputs may be used.

Fixed-income-oriented securities have been reclassified within the fair value hierarchy tables. These investments that were inappropriately categorized as Level 1 investments in the prior year have now been reclassified as Level 2 investments in order to correct the prior year presentation. This reclassification does not impact amounts presented in the financial statements.

**MACULA VISION RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015 AND 2014

(2) Investments- Continued

	September 30, 2015		
Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:			
Equity oriented	\$275,024	\$ -	\$ -
Debt oriented	\$218,013	\$218,013	-
	\$493,037	\$275,024	\$ -

	September 30, 2014		
Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:			
Equity oriented	\$292,110	\$ -	\$ -
Debt oriented	\$218,534	\$218,534	-
	\$510,644	\$292,110	\$ -

**MACULA VISION RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

(3) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	2015	2014
SupportSight Program	\$ -	\$ 6,748
Research Projects	100,000	-
Subsequent years' activities	-	10,644
	<u>\$100,000</u>	<u>\$17,392</u>

(4) Permanently Restricted Net Assets

Permanently restricted net assets at September 30, 2015 consisted of The Harold and Betty Brewer Research Fund, which was established as an endowment fund to provide funding for research grants in accordance with the mission of the Foundation.

The Foundation has adopted an investment policy that attempts to maximize total return consistent with acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt-oriented securities. This is intended to result in a reasonable inflation-protected rate of return while growing the fund if possible.

**MACULA VISION RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

(4) Permanently Restricted Net Assets - Continued

The Foundation has a total return policy of appropriating for distribution each year a percentage (from two to seven percent) of the endowment fund's average fair value over the prior twelve quarters. Any undistributed income after the allocation of the total return distribution is added to the temporarily restricted endowment fund balance. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow the endowment to maintain its purchasing power as well as to provide additional real growth through investment return. The Foundation's actual spending rule distributions were \$12,846 for the year ended September 30, 2015.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or relevant law requires MVRF to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$6,963 as of September 30, 2015. These deficiencies result from unfavorable market fluctuations and continued appropriation for certain programs that were deemed prudent by the Board.

Changes in endowment net assets for the year ended September 30, 2015 were as follows:

	Total	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$510,644	\$10,644	\$500,000
Investment income	12,857	12,857	-
Net depreciation	(10,655)	(10,655)	-
Amounts appropriated for expenditure	(12,846)	(12,846)	-
Endowment net assets, end of year	\$500,000	\$ -	\$500,000

SUPPLEMENTARY INFORMATION

**MACULA VISION RESEARCH FOUNDATION
FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2015**

	Program Services	Management and General	Fundraising	Total
Awards and grants	\$ 1,500,000	-	-	\$ 1,500,000
Professional fees	128,143	18,875	19,375	166,393
Staff compensation and related benefits	196,581	86,688	81,398	364,667
Supplies	2,076	1,033	119	3,228
Postage and delivery	10,583	2,367	1,707	14,657
Printing and copying	21,773	10,386	5,873	38,032
Books and subscriptions	792	335	-	1,127
SupportSight seminar rentals	8,120	-	-	8,120
Credit card fees	-	2,569	-	2,569
Equipment rental and maintenance	-	2,496	-	2,496
Travel	10,914	1,905	1,321	14,140
Advertising	4,764	1,572	-	6,336
Technology	4,388	-	-	4,388
Rent	6,581	8,774	6,581	21,936
Telephone	2,097	2,506	1,885	6,488
Depreciation and amortization	-	1,526	-	1,526
Insurance	-	1,573	-	1,573
Membership dues	-	645	-	645
Other	-	4,867	-	4,867
	\$ 1,896,812	\$ 148,117	\$ 118,259	\$ 2,163,188