

**MACULA VISION
RESEARCH FOUNDATION
FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

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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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 7, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015 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.

Isdaner & Company, LLC

January 5, 2017

**MACULA VISION RESEARCH FOUNDATION
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015**

ASSETS

	2016	2015
Current assets		
Cash	\$ 433,399	\$ 138,897
Unconditional promises to give	200,000	700,000
Prepaid expenses	-	32,575
	633,399	871,472
Investments in marketable securities	528,726	493,037
Property and equipment, net	3,666	5,192
	\$1,165,791	\$1,369,701

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 113,418	\$ 95,498
Awards and grants payable	400,000	800,000
	513,418	895,498
Awards and grants payable, noncurrent	-	400,000
Net assets:		
Unrestricted	(76,353)	(525,797)
Temporarily restricted	228,726	100,000
Permanently restricted	500,000	500,000
	652,373	74,203
	\$1,165,791	\$1,369,701

The accompanying notes are an integral part of these statements.

**MACULA VISION RESEARCH FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	2016			2015 (Note 1)	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenue:					
Contributions and grants	\$1,282,627	\$200,000	\$ -	\$1,482,627	\$2,221,376
Investment income	12,269	-	-	12,269	13,180
Net investment gain (loss)	8,430	28,726	-	37,156	(17,617)
Other	1,035	-	-	1,035	-
Net assets released from restrictions	100,000	(100,000)	-	-	-
	<u>1,404,361</u>	<u>128,726</u>	<u>-</u>	<u>1,533,087</u>	<u>2,216,939</u>
Expenses:					
Program services	675,011	-	-	675,011	1,896,812
Management and general	139,441	-	-	139,441	148,117
Fundraising	140,465	-	-	140,465	118,259
	<u>954,917</u>	<u>-</u>	<u>-</u>	<u>954,917</u>	<u>2,163,188</u>
Change in net assets	449,444	128,726	-	578,170	53,751
Net assets (deficit) at beginning of year	<u>(525,797)</u>	<u>100,000</u>	<u>500,000</u>	<u>74,203</u>	<u>20,452</u>
Net assets (deficit) at end of year	<u><u>(\$ 76,353)</u></u>	<u><u>\$228,726</u></u>	<u><u>\$500,000</u></u>	<u><u>\$ 652,373</u></u>	<u><u>\$ 74,203</u></u>

The accompanying notes are an integral part of these statements.

**MACULA VISION RESEARCH FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 578,170	\$ 53,751
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,526	1,526
Net (gain) loss on investments	(37,156)	17,617
Changes in assets and liabilities:		
Unconditional promises to give	500,000	(200,000)
Prepaid expenses	32,575	(26,575)
Accounts payable and accrued expenses	17,920	13,063
Awards and grants payable	<u>(800,000)</u>	<u>(100,000)</u>
Net cash provided by (used in) operating activities	<u>293,035</u>	<u>(240,618)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	<u>1,467</u>	<u>-</u>
Net cash provided by investing activities	<u>1,467</u>	<u>-</u>
Net increase (decrease) in cash	294,502	(240,618)
Cash at beginning of year	<u>138,897</u>	<u>379,515</u>
Cash at end of year	<u><u>\$ 433,399</u></u>	<u><u>\$ 138,897</u></u>

The accompanying notes are an integral part of these statements.

MACULA VISION RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

(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.

Management regularly evaluates the collectability of promises to give based on historical experience, economic conditions and information available on specific accounts. No allowance for uncollectible receivables was considered necessary at September 30, 2016 and 2015.

Unconditional promises to give were represented entirely by one donor at September 30, 2016.

MACULA VISION RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

(1) Summary of Accounting Policies - Continued

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).

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 current and due within a year at September 30, 2016.

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, 2016.

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 5, 2017, which is the date the Foundation's financial statements were available to be issued.

MACULA VISION RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

(1) Summary of Accounting Policies - Continued

Use of Estimates

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

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 \$-0- and \$500,000 at September 30, 2016 and 2015, respectively, 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 23% and 61% of total contributions and grants for the years ended September 30, 2016 and 2015, 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, 2016 and 2015 include \$112,297 and \$84,494, respectively, owed to these organizations.

Certain members of the Board of Directors are part of the Foundation's International Scientific Advisory Board ("ISAB"). In fiscal year 2015, each of these board members was awarded a \$50,000 research grant related to macular degeneration, and the Chairman of the ISAB received an additional payment of \$50,000 for professional services. In fiscal year 2016, there were no research grants awarded to those board members and the Chairman of the ISAB received \$12,500 for professional services.

MACULA VISION RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

(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.

September 30, 2016				
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Equity oriented	\$305,062	\$305,062	\$ -	\$ -
Debt oriented	223,664	223,664	-	-
	<u>\$528,726</u>	<u>\$528,726</u>	<u>\$ -</u>	<u>\$ -</u>

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	\$275,024	\$ -	\$ -
Debt oriented	218,013	218,013	-	-
	<u>\$493,037</u>	<u>\$493,037</u>	<u>\$ -</u>	<u>\$ -</u>

**MACULA VISION RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

(2) Investments - Continued

Debt-oriented mutual funds have been reclassified within the fair value hierarchy tables from Level 2 to Level 1 to conform to current year guidance. This reclassification does not impact amounts presented in the financial statements.

(3) Temporarily Restricted Net Assets

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

	2016	2015
Research projects	\$200,000	\$100,000
Subsequent years' activities	28,727	-
	\$228,727	\$100,000

(4) Permanently Restricted Net Assets

Permanently restricted net assets at September 30, 2016 and 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, 2016 AND 2015

(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 \$13,638 and \$12,846 for the years ended September 30, 2016 and 2015, respectively.

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 the Foundation 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 resulted from unfavorable market fluctuations and continued appropriation for certain programs that were deemed prudent by the Board. There were no such deficiencies as of September 30, 2016.

**MACULA VISION RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

(4) Permanently Restricted Net Assets - Continued

Changes in endowment net assets were as follows:

	<u>Total</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, October 1, 2014	\$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, September 30, 2015	<u>\$500,000</u>	<u>\$ -</u>	<u>\$500,000</u>
Investment income	30,193	30,193	-
Net appreciation	12,171	12,171	-
Amounts appropriated for expenditure	(13,638)	(13,638)	-
Endowment net assets, September 30, 2016	<u>\$528,726</u>	<u>\$28,726</u>	<u>\$500,000</u>

SUPPLEMENTARY INFORMATION

**MACULA VISION RESEARCH FOUNDATION
FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2016**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Awards and grants	\$100,000	\$ -	\$ -	\$100,000
Salaries, payroll taxes, and benefits	233,327	50,569	92,331	376,227
Books and subscriptions	250	2,031	237	2,518
Conference	213,277	-	-	213,277
Credit card fees	60	3,249	231	3,540
Depreciation and amortization	-	1,526	-	1,526
Equipment rental and maintenance	-	2,267	-	2,267
Honorariums	-	22,000	-	22,000
Insurance	-	1,607	-	1,607
Membership dues	-	1,682	-	1,682
Other	1,910	5,867	1,320	9,097
Postage and delivery	13,833	3,836	10,770	28,439
Printing and copying	30,960	9,213	13,455	53,628
Professional fees	43,228	18,880	13,345	75,453
Rent	6,599	8,800	6,599	21,998
Supplies	816	1,488	-	2,304
Technology	8,758	1,270	376	10,404
Telephone	1,675	3,588	1,648	6,911
Travel	20,318	1,568	153	22,039
	<u>\$675,011</u>	<u>\$139,441</u>	<u>\$140,465</u>	<u>\$954,917</u>