# Georgia Society to Prevent Blindness, Inc. (d/b/a Prevent Blindness Georgia)

Financial Statements
For the Years Ended March 31, 2017 and 2016

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

# Georgia Society to Prevent Blindness, Inc. (d/b/a Prevent Blindness Georgia)

Financial Statements
For the Years Ended March 31, 2017 and 2016

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# (d/b/a Prevent Blindness Georgia)

## Contents

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# Independent Auditor's Report

To the Board of Directors
Georgia Society to Prevent Blindness, Inc.
(d/b/a Prevent Blindness Georgia)
Atlanta, Georgia

We have audited the accompanying financial statements of Georgia Society to Prevent Blindness, Inc. (d/b/a Prevent Blindness Georgia) (the "Society"), which comprise the statement of financial position as of March 31, 2017, and the related statements of activities and changes in net assets, functional expenses, 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society'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 Society'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 Georgia Society to Prevent Blindness, Inc. (d/b/a Prevent Blindness Georgia) as of March 31, 2017 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.

### *Other Matter*

The 2016 financial statements of Georgia Society to Prevent Blindness, Inc. (d/b/a Prevent Blindness Georgia) were audited by other auditors, whose report dated July 29, 2016 expressed an unmodified opinion on those statements.

BDO USA, LLP

Chicago, Illinois
October 3, 2017

# Financial Statements

# Georgia Society to Prevent Blindness, Inc.
# (d/b/a Prevent Blindness Georgia)

## Statements of Financial Position

| *March 31,* | | **2017** | | 2016 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current Assets** | | | | |
| Cash | **$** | **100,394** | $ | 93,395 |
| Contributions receivable | | **8,285** | | 12,769 |
| Grants receivable | | **40,856** | | 70,045 |
| Investments | | **904,717** | | 1,030,657 |
| Prepaid expenses and other assets | | **23,362** | | 14,521 |
| **Total Current Assets** | | **1,077,614** | | 1,221,387 |
| **Property and Equipment,** net carrying amount | | **56,536** | | 74,848 |
| **Total Assets** | **$** | **1,134,150** | $ | 1,296,235 |
| **Liabilities and Net Assets** | | | | |
| **Liabilities** | | | | |
| Accounts payable | **$** | **52,681** | $ | 39,501 |
| Accrued salaries and vacation | | **35,503** | | 28,210 |
| Due to National office | | **68,626** | | 95,842 |
| Short-term borrowings - bank | | **75,000** | | 50,000 |
| Deferred revenue | | **6,500** | | - |
| Deferred rent | | **-** | | 2,055 |
| **Total Liabilities** | | **238,310** | | 215,608 |
| **Net Assets** | | | | |
| Unrestricted | | **(79,550)** | | 177,647 |
| Temporarily restricted | | **375,390** | | 302,980 |
| Permanently restricted | | **600,000** | | 600,000 |
| **Total Net Assets** | | **895,840** | | 1,080,627 |
| **Total Liabilities and Net Assets** | **$** | **1,134,150** | $ | 1,296,235 |

*See accompanying notes to financial statements.*

# Georgia Society to Prevent Blindness, Inc.
# (d/b/a Prevent Blindness Georgia)

## Statements of Activities and Changes in Net Assets

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| *Year ended March 31,* | **Unrestricted** | **Temporarily Restricted** | **Permanently Restricted** | **Total** | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| **Public Support and Operating Revenue** | | | | | | | | |
| Contributions | **$ 95,742** | **$ 204,305** | **$ -** | **$ 300,047** | $ 155,583 | $ 136,525 | $ - | $ 292,108 |
| Fees and grants from federal agencies | **89,715** | **-** | **-** | **89,715** | 208,021 | - | - | 208,021 |
| Program service revenue | **5,388** | **-** | **-** | **5,388** | 8,793 | - | - | 8,793 |
| Special events - net of direct costs of $8,856 in 2017 and $14,943 in 2016 | **46,039** | **-** | **-** | **46,039** | 14,212 | - | - | 14,212 |
| Interest and dividend income | **1,427** | **14,763** | **-** | **16,190** | 6,772 | 18,127 | - | 24,899 |
| Net assets released from restrictions | **199,340** | **(199,340)** | **-** | **-** | 176,012 | (176,012) | - | - |
| **Total Public Support and Operating Revenue** | **437,651** | **19,728** | **-** | **457,379** | 569,393 | (21,360) | - | 548,033 |
| **Expenses** | | | | | | | | |
| Program services | **616,177** | **-** | **-** | **616,177** | 699,382 | - | - | 699,382 |
| General and administrative | **31,240** | **-** | **-** | **31,240** | 32,383 | - | - | 32,383 |
| Fundraising | **53,622** | **-** | **-** | **53,622** | 101,122 | - | - | 101,122 |
| **Total Expenses** | **701,039** | **-** | **-** | **701,039** | 832,887 | - | - | 832,887 |
| (Decrease) increase in net assets - before non-operating revenue, gains, and losses | **(263,388)** | **19,728** | **-** | **(243,660)** | (263,494) | (21,360) | - | (284,854) |
| Non-operating revenue, gains, and losses - realized and unrealized gains (losses) on investments | **6,191** | **52,682** | **-** | **58,873** | (13,454) | (33,824) | - | (47,278) |
| **(Decrease) Increase in Net Assets** | **(257,197)** | **72,410** | **-** | **(184,787)** | (276,948) | (55,184) | - | (332,132) |
| **Net Assets** - beginning of year | **177,647** | **302,980** | **600,000** | **1,080,627** | 454,595 | 358,164 | 600,000 | 1,412,759 |
| **Net Assets** - end of year | **$ (79,550)** | **$ 375,390** | **$ 600,000** | **$ 895,840** | $ 177,647 | $ 302,980 | $ 600,000 | $ 1,080,627 |

*See accompanying notes to financial statements.*

# Georgia Society to Prevent Blindness, Inc.
# (d/b/a Prevent Blindness Georgia)

## Statements of Functional Expenses

| | Program Services | | | | Support Services | | | |
|---|---|---|---|---|---|---|---|---|
| *Year ended March 31, 2017* | Public Health Education | Professional Education and Training | Community Services | Total | General and Administrative | Fundraising | Total | Total |
| Salaries | $ 41,484 | $ 987 | $ 270,216 | $ 312,687 | $ 11,283 | $ 26,977 | $ 38,260 | $ 350,947 |
| Employee benefits | 12,887 | 215 | 68,167 | 81,269 | 2,454 | 5,143 | 7,597 | 88,866 |
| Payroll taxes | 3,948 | 228 | 19,341 | 23,517 | 2,601 | 2,177 | 4,778 | 28,295 |
| Total salaries and related expenses | 58,319 | 1,430 | 357,724 | 417,473 | 16,338 | 34,297 | 50,635 | 468,108 |
| Affiliate support of national program | 7,076 | 408 | 34,668 | 42,152 | 4,662 | 3,903 | 8,565 | 50,717 |
| Building occupancy | 4,918 | 284 | 24,094 | 29,296 | 3,240 | 2,712 | 5,952 | 35,248 |
| Depreciation | 3,331 | 192 | 16,318 | 19,841 | 2,194 | 1,837 | 4,031 | 23,872 |
| Dues and subscriptions | 1,039 | 60 | 5,191 | 6,290 | 684 | 1,052 | 1,736 | 8,026 |
| Insurance | 947 | 55 | 4,639 | 5,641 | 624 | 522 | 1,146 | 6,787 |
| Office equipment maintenance | 1,761 | 99 | 10,248 | 12,108 | 1,133 | 4,355 | 5,488 | 17,596 |
| Office supplies and equipment | 182 | 10 | 897 | 1,089 | 120 | 100 | 220 | 1,309 |
| Posting and shipping | 24 | 1 | 2,794 | 2,819 | 12 | 507 | 519 | 3,338 |
| Printing and publications | 6 | - | 4,061 | 4,067 | 4 | 1,360 | 1,364 | 5,431 |
| Professional fees and outside services | 1,922 | 111 | 30,782 | 32,815 | 1,271 | 1,060 | 2,331 | 35,146 |
| Program supplies and equipment | - | - | 2,127 | 2,127 | - | - | - | 2,127 |
| Telephone | 1,297 | 75 | 10,293 | 11,665 | 855 | 716 | 1,571 | 13,236 |
| Travel meetings | 269 | 9 | 28,516 | 28,794 | 103 | 1,201 | 1,304 | 30,098 |
| **Total Functional Expenses** | $ 81,091 | $ 2,734 | $ 532,352 | $ 616,177 | $ 31,240 | $ 53,622 | $ 84,862 | $ 701,039 |

# Georgia Society to Prevent Blindness, Inc.
# (d/b/a Prevent Blindness Georgia)

## Statements of Functional Expenses

| | Program Services | | | | Support Services | | | |
|---|---|---|---|---|---|---|---|---|
| *Year ended March 31, 2016* | Public Health Education | Professional Education and Training | Community Services | Total | General and Administrative | Fundraising | Total | Total |
| Salaries | $ 55,403 | $ 2,770 | $ 280,219 | $ 338,392 | $ 9,855 | $ 62,634 | $ 72,489 | $ 410,881 |
| Employee benefits | 16,758 | 408 | 65,254 | 82,420 | 1,452 | 13,837 | 15,289 | 97,709 |
| Payroll taxes | 4,708 | 891 | 23,477 | 29,076 | 3,171 | 1,626 | 4,797 | 33,873 |
| Total salaries and related expenses | 76,869 | 4,069 | 368,950 | 449,888 | 14,478 | 78,097 | 92,575 | 542,463 |
| Affiliate support of national program | 9,148 | 1,732 | 45,625 | 56,505 | 6,163 | 3,160 | 9,323 | 65,828 |
| Building occupancy | 4,446 | 914 | 22,443 | 27,803 | 3,234 | 1,270 | 4,504 | 32,307 |
| Depreciation | 3,150 | 597 | 15,711 | 19,458 | 2,123 | 1,088 | 3,211 | 22,669 |
| Dues and subscriptions | 1,002 | 143 | 5,415 | 6,560 | 508 | 967 | 1,475 | 8,035 |
| Insurance | 957 | 181 | 4,772 | 5,910 | 644 | 331 | 975 | 6,885 |
| Office equipment maintenance | 1,442 | 274 | 7,998 | 9,714 | 975 | 2,165 | 3,140 | 12,854 |
| Office supplies and equipment | 278 | 38 | 1,129 | 1,445 | 134 | 212 | 346 | 1,791 |
| Other expenses | - | - | - | - | - | 880 | 880 | 880 |
| Posting and shipping | 340 | 9 | 3,384 | 3,733 | 32 | 382 | 414 | 4,147 |
| Printing and publications | 6,877 | 52 | 6,412 | 13,341 | 184 | 850 | 1,034 | 14,375 |
| Professional fees and outside services | 6,827 | 630 | 41,675 | 49,132 | 2,242 | 8,749 | 10,991 | 60,123 |
| Program supplies and equipment | 1,518 | 32 | 4,006 | 5,556 | 113 | 171 | 284 | 5,840 |
| Telephone | 1,545 | 289 | 11,079 | 12,913 | 1,029 | 545 | 1,574 | 14,487 |
| Travel meetings | 5,518 | 147 | 31,759 | 37,424 | 524 | 2,255 | 2,779 | 40,203 |
| **Total Functional Expenses** | $ 119,917 | $ 9,107 | $ 570,358 | $ 699,382 | $ 32,383 | $ 101,122 | $ 133,505 | $ 832,887 |

*See accompanying notes to financial statements.*

# Georgia Society to Prevent Blindness, Inc.
# (d/b/a Prevent Blindness Georgia)

## Statements of Cash Flows

| *Year ended March 31,* | | **2017** | | 2016 |
|---|---|---|---|---|
| **Cash Flows From Operating Activities** | | | | |
| Change in net assets | **$** | **(184,787)** | $ | (332,132) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | | | |
| Depreciation | | **23,872** | | 22,669 |
| Realized and unrealized (gains) losses on investments | | **(58,873)** | | 43,608 |
| Deferred rent | | **(2,055)** | | (3,909) |
| Change in operating assets and liabilities: | | | | |
| Contributions receivable | | **4,484** | | (1,697) |
| Grants receivable | | **29,189** | | 19,880 |
| Prepaid expenses and other assets | | **(8,841)** | | 1,807 |
| Accounts payable | | **13,180** | | 8,125 |
| Accrued salaries and vacation | | **7,293** | | (1,987) |
| Deferred revenue | | **6,500** | | - |
| Due to National office | | **(27,216)** | | (21,689) |
| Net cash used in operating activities | | **(197,254)** | | (265,325) |
| **Cash Flows From Investing Activities** | | | | |
| Capital expenditures | | **(5,560)** | | (28,224) |
| Purchases of investment securities | | **(593,082)** | | (874,864) |
| Proceeds from sales of investment securities | | **777,895** | | 1,176,084 |
| Net cash provided by investing activities | | **179,253** | | 272,996 |
| **Cash Flows from Financing Activities** | | | | |
| Net borrowings on line of credit | | **25,000** | | 28,680 |
| **Net Increase in Cash** | | **6,999** | | 36,351 |
| **Cash,** beginning of the year | | **93,395** | | 57,044 |
| **Cash,** end of the year | **$** | **100,394** | $ | 93,395 |
| **Supplemental Disclosure of Cash Flow Information** | | | | |
| Cash paid for interest | **$** | **3,529** | $ | 1,887 |

*See accompanying notes to financial statements.*

## 1. Summary of Accounting Policies

### *Nature of Society*

Georgia Society to Prevent Blindness, Inc. (d/b/a Prevent Blindness Georgia) (the "Society") is a not-for-profit Society dedicated to promoting research in the causes and prevention of blindness, and increasing public awareness about blindness and vision protection.

### *Basis of Presentation*

The financial statements of the Society have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

### *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### *Concentration of Credit Risk*

The Society maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Society has not experienced any losses in such accounts and management does not believe the Society is exposed to any significant credit risk on cash.

### *Contributions and Grants Receivable*

The Society's contributions and other receivable are comprised primarily of grants and allocations committed from various funding agencies, corporations, and individuals for use in the Society's activities. Contributions and grants receivable at March 31, 2017 and 2016 are expected to be collected within one year. The Society has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full.

### *Investment Valuation*

The fair value of a financial instrument is the amount 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 (the exit price). The investments of the Society have fair values determined by quoted prices in active markets for identical assets (Level 1 classification).

*Equities* – Equity funds consist of shares held at publicly traded companies. Shares held in equity funds that trade on national securities exchanges are valued at their trading prices and are classified within Level 1 of the valuation hierarchy as described in Note 2.

*Mutual Funds* – Fair values of mutual funds are determined by reference to the fund's underlying assets, which are principally marketable equity and fixed income securities. Shares held in mutual funds that trade on national securities exchanges are valued at their trading price and are classified within Level 1 of the valuation hierarchy as described in Note 2.

*Money Market Funds* – Fair values of money market funds are determined by reference to the fund's underlying assets, which are principally cash and cash equivalents and are classified within Level 1 of the valuation hierarchy as described in Note 2.

### *Property and Equipment*

Property and equipment are recorded at cost or, in the case of gifts, fair value as of the date of the donation and depreciated over estimated useful lives using straight-line, accelerated, and declining-balance methods. It is the policy of the Society to capitalize property and equipment if the cost or value of the item is in excess of $1,500 and the useful economic life is greater than one year. Costs of repairs and maintenance are charged to expense as incurred.

### *Classification of Net Assets*

The separate classes of net assets are defined as follows:

- *Unrestricted* – Amounts that are currently available for use in the Society's operations.
- *Temporarily restricted* – Amounts that are restricted by actions of the donor and/or the passage of time.
- *Permanently restricted* – Amounts that are subject to donor-imposed restrictions to be maintained permanently by the Society. Generally, the donors of these permit the Society to use all or part of the income earned on related investments for general or specific purposes.

### *Contributions*

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered into, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

### *Government Grant Revenue*

The Society enters into contracts with certain governmental and private agencies. Revenue under these contracts is recognized when earned. The activities of the Society relating to certain contracts are subject to review or audit by the responsible governmental agency to determine compliance with award documents and may be subject to possible adjustment based on negotiations with the funding agencies. The Society has not provided allowances in the financial statements for potential adjustments since such amounts, if any, are not expected to be significant.

### *Donated Services and Assets*

Contributions of tangible goods are recognized at fair value when received. Contributed professional services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of volunteers have donated significant amounts of their time to the Society's program services and fundraising campaigns. No amounts have been recognized in the Statements of Activities and Changes in Net Assets because the criteria for recognition of those goods and services in accordance with U.S. GAAP have not been satisfied.

### *Functional Allocation of Expenses*

The costs of providing the program and support services have been reported on a functional basis in the Statement of Activities and Changes in Net Assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount. Such estimates include the amount and efforts of personnel and square footage of space utilized.

### *Tax Status*

The Society is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). The Society is also subject to tax on any unrelated business income, which was de minimus for the years ended March 31, 2017 and 2016. U.S. GAAP requires management to evaluate tax positions taken by the Society and recognize a tax liability if the Society has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or other applicable taxing authorities. Management has analyzed the tax positions taken by the Society and has concluded that as of March 31, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Society is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

### *Subsequent Events*

The Society has evaluated subsequent events through October 3, 2017, the date the financial statements were available to be issued. No events have occurred subsequent to March 31, 2017 that required recognition or disclosure in the financial statements.

### *Reclassifications*

Certain reclassifications have been made to the fiscal 2016 amounts to conform to the fiscal 2017 classifications.

### *Recent Accounting Pronouncements*

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) ASU 2016-02, “*Leases (Topic 842)*,” to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use ("ROU") model that requires, for all leases with a lease term of more than 12 months, an asset representing its ROU of the underlying asset for the lease term and a liability to make lease payments to be recorded. ASU 2016-02 is effective for the Society's 2020 fiscal year with early adoption permitted. Management is currently evaluating the impact of ASU 2016-02 on its financial statements.

In August 2016, the FASB issued ASU 2016-14, "*Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) Present – Presentation of Financial Statements of Not-for-Profit Entities"* (ASU 2016-14). ASU 2016-14 amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. ASU 2016-14 is effective for the Society's 2019 fiscal year with early adoption permitted. The provisions of ASU 2016-14 must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for the periods prior to adoption. Management is currently evaluating the potential impact of the adoption of ASU 2016-14 on their financial statements.

In May 2014, FASB issued ASU 2014-09, *"Revenue from Contracts with Customers,"* which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP. In August 2015, the FASB issued ASU 2015-14, "*Revenue from Contracts with Customers,"* which defers the effective date of the new revenue recognition standard by one year. ASU 2015-14 is effective for annual reporting periods beginning after December 15, 2018, and is to be applied using one of two retrospective application methods, with early application permitted after December 15, 2016. The Society has not yet determined the method by which ASU 2014-09 will be adopted in fiscal year 2020 and is currently evaluating the impact of the adoption of ASU 2014-09 on its financial statements and disclosures.

## 2. Fair Value Measurements

The Society performs fair value measurements in accordance with Auditing Standards Codification ("ASC") 820, *"Fair Value Measurements and Disclosures,"* which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements.

Fair value is defined in the ASC as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the most advantageous market for the asset or liability in an orderly transaction. Fair value measurement is based on a hierarchy of observable or unobservable inputs. The standard describes three levels of inputs that may be used to measure fair value.

Level 1 - *Quoted Prices in Active Markets for Identical Assets* - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 - *Significant Other Observable Inputs* - Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and the fair value can be determined through the use of models or other valuation methodologies; and

Level 3 - *Significant Unobservable Inputs* - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity of the asset and liability and the reporting entity makes estimates and assumptions relating to the pricing of the asset or liability including assumptions regarding risk.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Society's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following tables present information about the Society's assets measured at fair value on a recurring basis at March 31, 2017 and 2016 and the valuation techniques used by the Society to determine those fair values.

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at March 31, 2017 |
|---|---|---|---|---|
| Investments: | | | | |
| Equity securities | $ 549,448 | $ - | $ - | $ 549,448 |
| Mutual funds | 334,803 | - | - | 334,803 |
| Money market funds | 20,466 | - | - | 20,466 |
| **Total** | $ 904,717 | $ - | $ - | $ 904,717 |

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| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | | Significant Other Observable Inputs (Level 2) | | Significant Unobservable Inputs (Level 3) | Balance at March 31, 2016 |
|---|---|---|---|---|---|---|---|
| Investments: | | | | | | | |
| Equity securities | $ | 700,223 | $ | - | $ | -$ | 700,223 |
| Mutual funds | | 305,869 | | - | | - | 305,869 |
| Money market funds | | 24,565 | | - | | - | 24,565 |
| **Total** | **$** | **1,030,657** | **$** | **-** | **$** | **-$** | **1,030,657** |

The fair values of the Society's equity securities, mutual funds, and money market funds at March 31, 2017 and 2016 were determined using quoted market prices in an active market.

Total investment income reported on the Statement of Activities and Changes in Net Assets is net of investment expenses of $4,835 and $4,700 for the years ended March 31, 2017 and 2016, respectively.

## 3. Property and Equipment

The cost of property and equipment is summarized as follows:

| | | 2017 | | 2016 | Depreciable Life - Years |
|---|---|---|---|---|---|
| Program equipment | **$** | **135,930** | $ | 132,770 | 3-10 |
| Office equipment | | **11,706** | | 9,306 | 3-5 |
| Automotive equipment | | **34,138** | | 34,138 | 5 |
| Furniture and fixtures | | **14,568** | | 14,568 | 3-5 |
| Total cost | | **196,342** | | 190,782 | |
| Less accumulated depreciation | | **(139,806)** | | (115,934) | |
| **Net Carrying Amount** | **$** | **56,536** | $ | 74,848 | |

Depreciation expense was $23,872 and $22,669 for the years ended March 31, 2107 and 2016, respectively.

## 4. Due to National Office

The Society is an independent affiliate of the National Society to Prevent Blindness (“National”). National provides and is reimbursed for personnel and related fringe benefits to administer the operations of the Society.

As of March 31, 2017 and 2016, the Society was obligated to pay National $68,626 and $95,842, respectively, related to personnel and related fringe benefit expenses.

Additionally, in accordance with the terms of the affiliation agreement, the Society remits 12% of all discretionary income, calculated based on prior year income, to National. Discretionary income includes all income received except interest in investments, reimbursements, fees for services, and/or sales of materials or contributions that are designated or expressly restricted by the donor. 25% of the receipts, not expressly restricted, from legacies, inter vivos trusts, or property from testamentary trusts from decedents dying on or after January 1, 1978 and whose wills are dated before December 31, 1995 are remitted to National. 33% of the receipts, not expressly restricted, from legacies, inter vivos trust, or property from testamentary trusts from decedents whose wills are dated on or after January 1, 1996 are remitted to National. In addition, 3% of the receipts received after January 1, 1996, not expressly restricted, from legacies, inter vivos trusts, or property from testamentary trusts is remitted to National for bequest development. For the years ended March 31, 2017 and 2016, $50,717 and $65,828, respectively, was remitted to National.

## 5. Short-Term Borrowings - Bank

The Society has an open-end revolving line of credit with SunTrust Bank with total available borrowings of $75,000. There were outstanding borrowings on this line of credit of $75,000 and $50,000 as of March 31, 2017 and 2016, respectively. Interest is payable monthly at a rate equal to the SunTrust Prime Rate plus 2% per annum (an effective rate of 6% and 5.5% at March 31, 2017 and 2016, respectively).

The line of credit is collateralized by the Society's general investment account.

## 6. Employee Benefit Plans

The Society participates in a contributory defined contribution plan offered by Prevent Blindness America to substantially all employees who meet the eligibility requirements of age and length of service. Total contributions under the plan were $12,478 and $13,388 for the years ended March 31, 2017 and 2016, respectively.

## 7. Operating Lease

The Society is obligated under certain operating leases, primarily for facilities and office equipment. Total rent expense under these leases was $46,151 and $43,095 for the years ended March 31, 2017 and 2016, respectively.

As of March 31, 2017, the minimum future lease payments due under operating leases with non-cancelable lease terms in excess of one year are as follows:

| *March 31,* | | Amount |
|---|---|---|
| 2018 | $ | 18,382 |
| 2019 | | 4,532 |
| **Total** | **$** | **22,914** |

Subsequent to March 31, 2017, the Society extended the Georgia office lease for 12 months covering the period July 1, 2017 through June 30, 2018, with annual base rent of $38,136.

## 8. Temporarily Restricted Net Assets

Temporarily restricted net assets as of March 31, 2017 and 2016 are available for the following purpose:

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Unappropriated earnings on endowment | $ | 281,745 | $ | 250,300 |
| Contributions restricted for Star Pupils and Vision Outreach | | 93,645 | | 52,680 |
| **Total Temporarily Restricted Net Assets** | $ | 375,390 | $ | 302,980 |

## 9. Donor-Restricted Endowments

The Society's endowment consists of a donor-restricted endowment fund.

***Interpretation of Relevant Law***

The board of directors of the Society has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Society and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Society
(7) The investment policies of the Society.

Endowment net asset composition by type of fund as of March 31, 2017 is as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-Restricted Endowment Fund | $ - | $ 281,745 | $ 600,000 | $ 881,745 |

Changes in endowment net assets for the fiscal year ended March 31, 2017:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets - beginning of year | **$ -** | **$ 250,300** | **$ 600,000** | **$ 850,300** |
| Investment return: | | | | |
| Investment income - net of related expenses of $4,463 | **-** | **14,763** | **-** | **14,763** |
| Net appreciation (realized and unrealized) | **-** | **52,682** | **-** | **52,682** |
| Total investment return | **-** | **67,445** | **-** | **67,445** |
| Appropriation of endowment assets for expenditure | **-** | **(36,000)** | **-** | **(36,000)** |
| **Endowment Net assets - End of Year** | **$ -** | **$ 281,745** | **$ 600,000** | **$ 881,745** |

Endowment net asset composition by type of fund as of March 31, 2016 is as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **Donor-Restricted Endowment Fund** | $ - | $ 250,300 | $ 600,000 | $ 850,300 |

Changes in endowment net assets for the fiscal year ended March 31, 2016:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets - beginning of year | $ - | $ 301,997 | $ 600,000 | $ 901,997 |
| Investment return: | | | | |
| Investment income - net of related expenses of $3,404 | - | 18,127 | - | 18,127 |
| Net depreciation (realized and unrealized) | - | (33,824) | - | (33,824) |
| Total investment return | - | (15,697) | - | (15,697) |
| Appropriation of endowment assets for expenditure | - | (36,000) | - | (36,000) |
| **Endowment Net Assets - End of Year** | $ - | $ 250,300 | $ 600,000 | $ 850,300 |

### *Funds with Deficiencies*

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 UPMIFA requires the Society to retain as a fund of perpetual duration. There were no such deficiencies as of March 31, 2017 and 2016.

### *Return Objectives and Risk Parameters*

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Society has a policy of appropriating fixed dollar amounts rather than a percentage of its endowment's average fair value or some other variable computation mechanism. For both years ended March 31, 2017 and 2016, the appropriations totaled $36,000.