

**OREGON LIONS SIGHT & HEARING
FOUNDATION, INC.**

FINANCIAL STATEMENTS

Year Ended June 30, 2018



Oregon Lions
Sight & Hearing Foundation

KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Oregon Lions Sight and Hearing Foundation
Portland, Oregon

We have audited the accompanying financial statements of Oregon Lions Sight and Hearing Foundation (a non-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, 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.

Auditors' 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 auditors' 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 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 Oregon Lions Sight and Hearing Foundation as of June 30, 2018, 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.

To the Board of Directors
Oregon Lions Sight and Hearing Foundation

Other Matters

Report on Summarized Comparative Information

We have previously audited Oregon Lions Sight and Hearing Foundation's 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated September 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note B, the Foundation adopted the provisions of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958)*, for the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

KERN THOMPSON, LLC

Portland, Oregon
October 24, 2018

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2018

(With Comparative Totals as of June 30, 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 720,009	\$ 138,569
Pledges and accounts receivable, less allowance for doubtful accounts	424,507	35,243
Inventory	58,409	55,592
Prepaid expenses	10,347	5,155
Investments	5,845,968	6,343,869
	7,059,240	6,578,428
Property and equipment - net	286,340	375,338
Total assets	\$ 7,345,580	\$ 6,953,766
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 26,529	\$ 51,978
Accrued expenses	57,101	24,980
Funds held for Lions Clubs	95,364	79,312
Annuity liability	33,769	73
Total liabilities	212,763	156,343
Net assets		
Without donor restrictions:		
Invested in property and equipment	286,340	375,338
Designated by the Board	3,282,435	2,782,435
Undesignated	274,922	267,671
Total without donor restrictions	3,843,697	3,425,444
With donor restrictions	3,289,120	3,371,979
Total net assets	7,132,817	6,797,423
Total liabilities and net assets	\$ 7,345,580	\$ 6,953,766

See notes to financial statements.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2018	2017
Revenues, gains and other support				
Contributions	\$ 479,274	\$ -	\$ 479,274	\$ 494,322
Bequests	103,208	-	103,208	42,040
Grants	762,217	-	762,217	419,230
Program service fees	447,225	-	447,225	85,375
Special events, net of expense of \$37,393 and \$54,275, respectively	7,177	-	7,177	25,272
Optical sales (LEAP), net of expense of \$48,260 and \$62,789, respectively	45,523	-	45,523	45,598
Optical sales (retail), less cost of sales of sales of \$53,843 and \$3,499, respectively	42,935	-	42,935	2,082
Interest and dividends	11,211	107,297	118,508	119,838
Other	18,784	-	18,784	19,410
	1,917,554	107,297	2,024,851	1,253,167
Net assets released from restrictions	414,725	(414,725)	-	-
Total revenue, gains and other support	2,332,279	(307,428)	2,024,851	1,253,167
Expenses				
Patient and program services	958,596	-	958,596	998,793
School vision screening	416,104	-	416,104	312,584
Lions eyeglass assistance	351,404	-	351,404	257,611
Total program services	1,726,104	-	1,726,104	1,568,988
Supporting services				
Administration	26,304	-	26,304	11,632
Fundraising	186,044	-	186,044	116,352
Total expenses	1,938,452	-	1,938,452	1,696,972
Increase (decrease) in net assets before other changes	393,827	(307,428)	86,399	(443,805)
Other changes in net assets				
Net realized/unrealized gain (loss) on investments	24,426	233,775	258,201	407,475
Net change in value of annuity	-	(9,206)	(9,206)	(3,437)
Change in net assets	418,253	(82,859)	335,394	(39,767)
Net assets, beginning of year	3,425,444	3,371,979	6,797,423	6,837,190
Net assets, end of year	\$ 3,843,697	\$ 3,289,120	\$ 7,132,817	\$ 6,797,423

See notes to financial statements.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	PROGRAM SERVICES				SUPPORTING SERVICES		Total	
	Patient and Program Services	School Vision Screening	Lions Eyeglass Assistance	Total Program	Adminis-tration	Fund-raising	2018	2017
Salaries, payroll taxes and benefits	\$ 501,358	\$ 208,819	\$ 246,652	\$ 956,829	\$ 9,967	\$ 98,837	\$ 1,065,633	\$ 902,249
Patient services	281,012	-	-	281,012	-	-	281,012	303,673
Conferences, conventions and meetings	3,142	5,115	2,154	10,411	66	1,945	12,422	5,793
Depreciation	22,167	95,837	11,218	129,222	161	1,542	130,925	127,865
Equipment, maintenance and fuel	9,901	34,540	5,256	49,697	170	2,775	52,642	16,925
Grants, awards and scholarships	1,598	655	873	3,126	32	11,460	14,618	7,836
Insurance	12,724	5,704	9,298	27,726	282	2,700	30,708	24,390
Miscellaneous expense	4,387	4,518	5,572	14,477	6,067	2,460	23,004	19,620
Occupancy	51,545	513	15,922	67,980	25	243	68,248	67,745
Postage and shipping	4,267	1,774	2,311	8,352	85	1,883	10,320	7,878
Printing and publications	6,219	8,862	4,239	19,320	123	4,585	24,028	14,529
Professional fees and services	45,704	18,962	22,911	87,577	9,133	51,027	147,737	141,899
Supplies and materials	7,515	5,447	21,414	34,376	126	2,134	36,636	17,659
Telephone/internet	2,059	2,496	1,689	6,244	46	2,087	8,377	6,536
Travel	4,998	22,862	1,895	29,755	21	2,366	32,142	32,375
	\$ 958,596	\$ 416,104	\$ 351,404	\$ 1,726,104	\$ 26,304	\$ 186,044	\$ 1,938,452	\$ 1,696,972
Percentage of total expense	49%	22%	18%	89%	1%	10%	100%	

See notes to financial statements.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 335,394	\$ (39,767)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	130,927	140,700
Net realized/unrealized (gain) loss on investments	(258,201)	(407,475)
Net change in value of gift annuities	9,206	3,437
Changes in assets and liabilities:		
Pledges and accounts receivable	(389,264)	(11,598)
Inventory	(2,815)	(5,965)
Prepaid expenses	(5,192)	1,001
Accounts payable	(25,449)	12,710
Accrued expenses	32,121	(34,599)
Funds held for Lions Clubs	16,052	9,729
Net cash provided by (used in) operating activities	(157,221)	(331,827)
Cash flows from investing activities:		
Proceeds from sale of investments	966,541	761,611
Purchase of investments	(205,424)	(329,403)
Purchase of property and equipment	(41,930)	(143,512)
Net cash provided by (used in) investing activities	719,187	288,696
Cash flows from financing activities:		
Additions to gift annuities	25,000	-
Payments on gift annuities	(5,526)	(4,776)
Net cash provided by (used in) financing activities	19,474	(4,776)
Net increase (decrease) in cash and cash equivalents	581,440	(47,907)
Cash and cash equivalents		
Beginning of year	138,569	186,476
End of year	\$ 720,009	\$ 138,569

See notes to financial statements.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – DESCRIPTION OF ORGANIZATION

The Oregon Lions Sight & Hearing Foundation, Inc. (the Foundation) is a charitable nonprofit organization established in 1959. The Foundation's mission is to screen, treat, save and restore sight and hearing, in partnership with Lions Clubs. The Foundation receives its support primarily through contributions and grants from individuals, corporations, and other organizations.

The Foundation's activities are as follows:

➤ **Patient and Program Services**

The Patient Care Program was created to help financially needy Oregonians receive the eye and ear surgery or treatments they need but cannot afford. Qualified applicants receive quality medical treatment with dignity, confidentiality and compassion.

➤ **School Vision Screening**

The Foundation operates a School Vision Screening Program, which provides an accessible and inexpensive way to offer health screenings to those in most need. The Program provides free screenings to schools and the public throughout the year.

➤ **Other Programs**

Other programs include operation of the Lions Optical Labs, a Hearing Aid Assistance Program, Low Vision Clinic for visually disabled children, Mission Cataract surgeries, and the KEX Kids Fund.

Additionally, the Foundation established Eye Promise, LLC, an Oregon single-member limited liability company (a disregarded entity for tax information return purposes), which commenced operations in June 2017. Eye Promise, LLC operates the Lions Eyeglasses Assistance Program ("LEAP") and a retail discount optical sales boutique for the general public.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncement

During the fiscal year ended June 30, 2018, the Foundation implemented *Accounting Standards Update No. 2016-14, Not-for-Profit Entities Topic 958 ("ASU 2016-14")*. This standard revised the net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. As a result of the implementation of ASU 2016-14, net assets and transactions are now presented in two categories (with donor restrictions and without donor restrictions) instead of three (unrestricted, temporary, and permanent). Additionally, disclosures regarding liquidity have been added and the expansion of disclosures regarding the nature of donor restrictions and endowment funds have been made. The implementation of ASU 2016-14 had no impact on total beginning net assets.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.

Net Assets With Donor Restrictions – Net assets either subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Cash Equivalents

The Foundation classifies as cash and cash equivalents all checking, savings, and money market accounts used for operating purposes.

Pledges and Accounts Receivable

Pledges and accounts receivable of \$609,407 are all due within one year. The Foundation provides for losses on receivables using the allowance method. The allowance is based on experience and other circumstances based on collectability. It is the Foundation's policy to charge off uncollectible receivables when management determines the receivables will not be collected.

During the year ended June 30, 2018, SB 187 was passed in the Oregon legislature that will allow schools to be reimbursed for the cost of vision screenings that take place during the school year. The Foundation performs these screenings for children of all ages and charges the schools at an agreed-upon rate. However, as SB 187 is intended to benefit younger children in grades 3 and below, it is unlikely that the Foundation will receive the agreed-upon rate for children served in grades 4 and above. Therefore, an allowance reserve of \$184,900 has been recorded for the year ending June 30, 2018.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Fair Value Measurements

Investments are the only assets measured at fair value on a recurring basis. Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data by correlation such as appraisals or other means such as calculations based on contractual rates and published tables.

Level 3 – Unobservable inputs that reflect management's assumptions and best estimates based on available data.

Investments in bonds, equities, and mutual funds are carried at fair value based on quoted prices in active markets in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Assets Held in Charitable Gift Annuities

The Foundation occasionally receives contributions for which the donor or donor-designated beneficiary may retain a life interest. The assets are invested and administered by the Foundation and distributions are made to the beneficiaries under the terms of the agreement. These funds are generally invested in equity and fixed income mutual funds, and the Foundation records its interest at fair value based on estimated future cash receipts. Initial recognition and subsequent adjustments to the assets' carrying values have not been material and are included in other revenues in the accompanying financial statements.

Liabilities for charitable gift annuities are recorded when incurred at the present value of the distributions to be made to the donor-designated beneficiaries. Distributions are paid over the lives of the beneficiaries. Present values are determined using discount rates determined by the Internal Revenue Service and actuarially determined life expectancies. The liabilities for charitable gift annuities are revalued annually and the net change, together with any remaining recorded obligations after all trust or gift obligations under terminated agreements have been satisfied, are offset with other revenues.

Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as increases in net assets without donor restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services and Materials

The value of contributed services and materials meeting the requirements for recognition has been recorded in the financial statements (see Note F). Additionally, a number of volunteers have donated a significant number of hours to the Foundation. Although these services do not meet the criteria for recognition under generally accepted accounting principles, they are integral to the Foundation's mission.

Advertising

The Foundation expenses all advertising costs as incurred.

Property and Equipment

Property and equipment of \$1,000 or more is recorded at cost. Donations of equipment and furniture are recorded as revenues at their estimated fair market values on the date of receipt. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. Depreciation on the equipment is computed using the straight-line method over the estimated useful lives of the assets that range from three to five years. Maintenance and repairs are expensed when incurred.

Classification of Endowment Net Assets

The Foundation has interpreted Oregon's adoption of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the Foundation to adopt investment and spending policies that preserve the fair value of the original endowed gift as of the date of the gift, absent explicit donor restrictions to the contrary. Although the Foundation has a long-term fiduciary duty to the donor (and others) for a fund of perpetual duration, the preservation of an endowment's purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of an endowment's historic dollar value may be appropriated for expenditure in support of the designated purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA.

As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) accumulations made pursuant to the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In general, investment returns on the Foundation's permanent endowment are available for retention or appropriation based on the same prudent standards and policies established by the Board of Directors and, therefore, are classified as net assets with donor restrictions until the returns are appropriated for expenditure by the Board of Directors and, if the use of the investment return is restricted by the donor, until the restriction has also been satisfied.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Endowment Net Assets (Continued)

Additionally, the Foundation has designated a portion of net assets without donor restrictions as endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed stipulations. Accordingly, investment returns on designated endowment funds remain designated until appropriated for expenditure by the Board of Directors.

Endowment Investment and Spending Policies

The goal of the Foundation's investment program for funds held as permanent endowment is to simultaneously minimize investment risk and to achieve a total rate of return that will allow the Foundation to respond to today's needs and the long-term growth necessary to respond to future needs. The investment objective for endowed funds is to retain (at a minimum) when possible an increase in the purchasing power of the funds, while at the same time producing a reasonable return for distribution to meet current needs. To meet this investment objective, the Lions Foundation follows a strategy in which investment decisions are made with the intent of maximizing the safety and security and the long-term total return of the portfolio, combining market-value changes (realized and unrealized) and current yield (interest and dividends). Endowment assets are invested in a mixture of equities, fixed-income instruments, private instruments, and cash.

The Foundation has adopted a spending policy to determine the annual amount available for distributions from funds restricted or designated for endowment. The annual amount available for expenditure is 6% of the average market value for the three previous years.

Income Tax Status

The Foundation has been granted exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined not to be a private foundation under Section 509(a)(1) of the Code. Accordingly, donations made to the Foundation qualify as charitable contributions.

The Foundation does not believe it has unrelated trade or business income in excess of \$1,000. As such, no provision for income taxes is reflected in the financial statements.

Estimates

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

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to credit risk include cash, investments in marketable securities, and accounts receivable. Cash deposited with financial institutions regularly exceeds the related federal deposit insurance limits. Management periodically evaluates the relative credit standings of these financial institutions. Management also periodically evaluates the quality of the investments in marketable securities with other institutions, which are partially covered by federal insurance. Future changes in market prices may make such investments less valuable.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized in the Statement of Activities. Certain costs, including salaries and benefits, rent and utilities, have been allocated among the programs and supporting services benefited.

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by asset class or natural expense classification by function. 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 June 30, 2017, from which the summarized information was derived. Certain reclassifications have been made to the prior summarized information to conform to the current year presentation.

NOTE C – INVESTMENTS

Investments are measured at fair value as follows as of the year ended June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ -	\$ 185,099	\$ -	\$ 185,099
Mutual and exchange traded funds	1,283,992	-	-	1,283,992
Common stocks	2,724,820	-	-	2,724,820
Corporate bonds	-	957,922	-	957,922
Government securities	-	694,135	-	694,135
	<u>\$ 4,008,812</u>	<u>\$ 1,837,156</u>	<u>\$ -</u>	<u>\$ 5,845,968</u>

Investment expenses of \$34,858 were netted against interest and dividend income for the year ended June 30, 2018.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE D – LIQUIDITY

The following chart represents the Foundation's financial assets available to meet cash needs for general expenditures within one year of June 30, 2018:

Financial assets at year-end*	
Cash and cash equivalents	\$ 720,009
Pledges receivable	424,507
Investments	<u>5,845,968</u>
Total financial assets	<u>6,990,484</u>
Less those restricted or designated due to:	
Contractual or donor-imposed restrictions:	
Pledges and notes receivable due beyond one year	-
Restricted by donor with purpose restriction	1,036,526
Subject to satisfaction of donor restrictions	2,252,594
Board designations:	
Board-designated endowment fund	3,282,435
Add back appropriated for expenditure	<u>(377,023)</u>
Total restricted or designated financial assets	<u>6,194,532</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 795,952</u>

* Total assets, less nonfinancial assets (e.g. property and equipment, prepaid expenses)

The Foundation's endowment funds consist of donor-restricted endowments and a board-designated endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note B, the Foundation's spending policy is to appropriate all investment earnings from the previous year into the next year. \$341,072 of appropriations from the endowment funds will be available within the next 12 months.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of current requirements in short-term investments. Although the Foundation does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary to manage unanticipated liquidity needs.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2018:

Office improvements	\$	186,480
Mobile screening unit and vehicles		434,521
Furniture and equipment		<u>638,624</u>
		1,259,625
Less accumulated depreciation and amortization		<u>(973,285)</u>
	\$	<u><u>286,340</u></u>

NOTE F – IN-KIND CONTRIBUTIONS

The Foundation records donated materials and services that create or enhance non-financial assets or require specialized skills (that the Foundation would have purchased if not donated) as support in the statement of activities. In-kind contributions included in the statement of activities for the year ended June 30, 2018 are summarized as follows:

Rent	\$	50,400
Professional services		<u>161,526</u>
	\$	<u><u>211,926</u></u>

NOTE G – RETIREMENT PLAN

During the year ended June 30, 2017, the Foundation terminated its 401(k) retirement plan and established a new Simplified Employee Pension retirement plan (a “SEP” plan). The SEP is a defined contribution plan in which the Foundation may make discretionary contributions directly into eligible employees individual retirement accounts. Such contributions cannot exceed annual prescribed limits and are tax-deferred to the employee. Total Foundation contributions for the year ended June 30, 2018 were \$30,879.

OREGON LIONS SIGHT & HEARING FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE H – RESTRICTIONS ON NET ASSETS

The Foundation's net assets with donor restrictions are subject to the following purpose or time restrictions:

Subject to purpose restrictions:	
Dale Fund	\$ 144,055
Ross Fund	<u>36,127</u>
	<u>180,182</u>
 Subject to time restrictions:	
Charitable gift annuities	44,797
Unappropriated endowment earnings	<u>811,547</u>
	<u>856,344</u>
 Not subject to appropriation or expenditure:	
Irrigon trust	28,587
Tyler trust	75,926
General endowment fund	<u>2,148,081</u>
	<u>2,252,594</u>
 Total net assets with donor restrictions	 <u>\$ 3,289,120</u>

NOTE I – ENDOWMENT NET ASSETS

The composition of and changes therein of the Foundation's endowment funds for the year ended June 30, 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>Restricted Portion Subject to Expiration</u>	<u>Restricted Portion not Subject to Expiration</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 2,782,435	\$ 847,498	\$ 2,252,594	\$ 5,882,527
Designations of the Board	500,000	-	-	500,000
Appropriation of endowment assets for expenditure in year ended June 30,2018	-	(377,023)	-	(377,023)
Net investment income (loss)	<u>-</u>	<u>341,072</u>	<u>-</u>	<u>341,072</u>
Endowment net assets, end of year	<u>\$ 3,282,435</u>	<u>\$ 811,547</u>	<u>2,252,594</u>	<u>\$ 6,346,576</u>

NOTE J – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 24, 2018, which is the date the financial statements were available to be issued.