

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**



*Oregon Lions*  
Sight & Hearing Foundation

**KERN ▲ THOMPSON**  
CERTIFIED PUBLIC ACCOUNTANTS

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

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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 consolidated financial statements of Oregon Lions Sight and Hearing Foundation (a non-profit organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated 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, 2019, 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 2018 consolidated financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*KERN & THOMPSON, LLC*

Portland, Oregon  
October 8, 2019

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**June 30, 2019**

(With Comparative Totals as of June 30, 2018)

| <b>ASSETS</b>  |           | <u>2019</u>             | <u>2018</u>                |
|--|-----------|-------------------------|----------------------------|
| Cash and cash equivalents  | \$        | 505,646                 | \$ 720,009                 |
| Pledges and accounts receivable,<br>less allowance for doubtful accounts |           | 484,556                 | 424,507                    |
| Inventory  |           | 87,763                  | 58,409                     |
| Prepaid expenses   |           | 8,493                   | 10,347                     |
| Investments  |           | <u>6,356,927</u>        | <u>5,845,968</u>           |
|  |           | 7,443,385               | 7,059,240                  |
| Property and equipment - net   |           | <u>234,804</u>          | <u>286,340</u>             |
| <b>Total assets</b>  | <b>\$</b> | <b><u>7,678,189</u></b> | <b>\$ <u>7,345,580</u></b> |
| <br><b>LIABILITIES AND NET ASSETS</b>                                    |           |                         |                            |
| Accounts payable   | \$        | 35,252                  | \$ 26,529                  |
| Accrued expenses   |           | 57,714                  | 57,101                     |
| Funds held for Lions Clubs   |           | 122,116                 | 95,364                     |
| Annuity liability  |           | <u>27,493</u>           | <u>33,769</u>              |
| <b>Total liabilities</b>   |           | <b><u>242,575</u></b>   | <b><u>212,763</u></b>      |
| <br><b>Net assets</b>  |           |                         |                            |
| Without donor restrictions:  |           |                         |                            |
| Invested in property and equipment                                       |           | 234,804                 | 286,340                    |
| Designated by the Board  |           | 3,139,347               | 3,282,435                  |
| Undesignated   |           | <u>856,296</u>          | <u>274,922</u>             |
| Total without donor restrictions   |           | 4,230,447               | 3,843,697                  |
| With donor restrictions  |           | <u>3,205,167</u>        | <u>3,289,120</u>           |
| <b>Total net assets</b>  |           | <b><u>7,435,614</u></b> | <b><u>7,132,817</u></b>    |
| <b>Total liabilities and net assets</b>                                  | <b>\$</b> | <b><u>7,678,189</u></b> | <b>\$ <u>7,345,580</u></b> |

See notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2019**

(With Comparative Totals for the Year Ended June 30, 2018)

|   | <b>Without</b>      | <b>With</b>         | <b>Total</b>        |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | <b>Donor</b>        | <b>Donor</b>        | <b>2019</b>         | <b>2018</b>         |
|   | <b>Restrictions</b> | <b>Restrictions</b> |                     |                     |
| <b>Revenues, gains and other support</b>  |                     |                     |                     |                     |
| Contributions   | \$ 516,455          | \$ -                | \$ 516,455          | \$ 479,274          |
| Bequests  | 172,275             | -                   | 172,275             | 103,208             |
| Grants  | 599,166             | 2,095               | 601,261             | 762,217             |
| Program service fees  | 548,069             | -                   | 548,069             | 447,225             |
| Special events, net of expense of \$64,097<br>and \$37,393, respectively                      | 16,901              | -                   | 16,901              | 7,177               |
| Optical sales (LEAP), net of expense of<br>\$42,768 and \$48,260, respectively                | 61,080              | -                   | 61,080              | 45,523              |
| Optical sales (retail), less cost of sales of<br>sales of \$91,698 and \$53,843, respectively | 66,101              | -                   | 66,101              | 42,935              |
| Interest and dividends  | 18,759              | 92,969              | 111,728             | 118,508             |
| Other   | 35,085              | -                   | 35,085              | 18,784              |
|   | 2,033,891           | 95,064              | 2,128,955           | 2,024,851           |
| Net assets released from restrictions   | 387,262             | (387,262)           | -                   | -                   |
| <b>Total revenue, gains and other support</b>   | <b>2,421,153</b>    | <b>(292,198)</b>    | <b>2,128,955</b>    | <b>2,024,851</b>    |
| <b>Expenses</b>   |                     |                     |                     |                     |
| Patient and program services  | 496,865             | -                   | 496,865             | 958,596             |
| School vision screening   | 707,254             | -                   | 707,254             | 416,104             |
| Lions eyeglass assistance   | 554,057             | -                   | 554,057             | 351,404             |
| Total program services  | 1,758,176           | -                   | 1,758,176           | 1,726,104           |
| Supporting services   |                     |                     |                     |                     |
| Administration  | 69,192              | -                   | 69,192              | 26,304              |
| Fundraising   | 249,054             | -                   | 249,054             | 186,044             |
| <b>Total expenses</b>   | <b>2,076,422</b>    | <b>-</b>            | <b>2,076,422</b>    | <b>1,938,452</b>    |
| <b>Increase (decrease) in net assets<br/>before other changes</b>                             | <b>344,731</b>      | <b>(292,198)</b>    | <b>52,533</b>       | <b>86,399</b>       |
| <b>Other changes in net assets</b>  |                     |                     |                     |                     |
| Net realized/unrealized gain (loss) on investments  | 42,019              | 208,245             | 250,264             | 258,201             |
| Net change in value of annuity  | -                   | -                   | -                   | (9,206)             |
| <b>Change in net assets</b>   | <b>386,750</b>      | <b>(83,953)</b>     | <b>302,797</b>      | <b>335,394</b>      |
| Net assets, beginning of year   | 3,843,697           | 3,289,120           | 7,132,817           | 6,797,423           |
| <b>Net assets, end of year</b>  | <b>\$ 4,230,447</b> | <b>\$ 3,205,167</b> | <b>\$ 7,435,614</b> | <b>\$ 7,132,817</b> |

See notes to consolidated financial statements.

**OREGON LIONS SIGHT & HEARING FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2019**  
(With Comparative Totals for the Year Ended June 30, 2018)

|                                       | <b>PROGRAM SERVICES</b>                     |  |  |                          | <b>SUPPORTING SERVICES</b>  |                    | <b>Total</b>        |                     |
|---------------------------------------|---|--|--|--------------------------|-----------------------------|--------------------|---------------------|---------------------|
|                                       | <b>Patient and<br/>Program<br/>Services</b> | <b>School<br/>Vision<br/>Screening</b> | <b>Lions<br/>Eyeglass<br/>Assistance</b> | <b>Total<br/>Program</b> | <b>Adminis-<br/>tration</b> | <b>Fundraising</b> | <b>2019</b>         | <b>2018</b>         |
|                                       |   |  |  |                          |                             |                    |                     |                     |
| Salaries, payroll taxes and benefits  | \$ 133,430                                  | \$ 490,426                             | \$ 417,352                               | \$ 1,041,208             | \$ 42,691                   | \$ 132,497         | \$ 1,216,396        | \$ 1,065,633        |
| Patient services                      | 203,116                                     | -                                      | -  | 203,116                  | -                           | -                  | 203,116             | 281,012             |
| Conferences, conventions and meetings | 9,249                                       | 28,892                                 | 8,645                                    | 46,786                   | 1,752                       | 4,129              | 52,667              | 12,422              |
| Depreciation                          | 4,227                                       | 79,924                                 | 15,043                                   | 99,194                   | 1,409                       | -                  | 100,603             | 130,925             |
| Equipment, maintenance and fuel       | 3,013                                       | 3,723                                  | 1,289                                    | 8,025                    | 311                         | 1,164              | 9,500               | 52,642              |
| Grants, awards and scholarships       | 268   | 250                                    | 288                                      | 806                      | 89                          | 10,742             | 11,637              | 14,618              |
| Insurance                             | 9,960                                       | 9,302                                  | 10,479                                   | 29,741                   | 3,325                       | -                  | 33,066              | 30,708              |
| Miscellaneous expense                 | 8,461                                       | 8,008                                  | 14,886                                   | 31,355                   | 2,726                       | 3,182              | 37,263              | 23,004              |
| Occupancy                             | 18,244                                      | 17,040                                 | 29,758                                   | 65,042                   | 6,090                       | -                  | 71,132              | 68,248              |
| Postage and shipping                  | 3,844                                       | 4,657                                  | 4,887                                    | 13,388                   | 1,025                       | 1,689              | 16,102              | 10,320              |
| Printing and publications             | 6,091                                       | 11,170                                 | 4,535                                    | 21,796                   | 1,853                       | 7,039              | 30,688              | 24,028              |
| Professional fees and services        | 17,762                                      | 16,590                                 | 14,487                                   | 48,839                   | 5,929                       | 79,839             | 134,607             | 147,737             |
| Supplies and materials                | 72,966                                      | 9,281                                  | 27,732                                   | 109,979                  | 1,172                       | 5,370              | 116,521             | 36,636              |
| Telephone/internet                    | 1,435                                       | 3,110                                  | 1,140                                    | 5,685                    | 479                         | 1,800              | 7,964               | 8,377               |
| Travel                                | 4,799                                       | 24,881                                 | 3,536                                    | 33,216                   | 341                         | 1,603              | 35,160              | 32,142              |
|                                       | <b>\$ 496,865</b>                           | <b>\$ 707,254</b>                      | <b>\$ 554,057</b>                        | <b>\$ 1,758,176</b>      | <b>\$ 69,192</b>            | <b>\$ 249,054</b>  | <b>\$ 2,076,422</b> | <b>\$ 1,938,452</b> |
| Percentage of total expense           | <b>24%</b>                                  | <b>35%</b>                             | <b>27%</b>                               | <b>85%</b>               | <b>3%</b>                   | <b>12%</b>         | <b>100%</b>         |                     |

See notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2019**

(With Comparative Totals for the Year Ended June 30, 2018)

|   | <b>2019</b>       | <b>2018</b>       |
|---|-------------------|-------------------|
| <b>Cash flows from operating activities:</b>  |                   |                   |
| Change in net assets  | \$ 302,797        | \$ 335,394        |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                   |                   |
| Depreciation  | 100,603           | 130,927           |
| Net realized/unrealized (gain) loss on investments  | (234,654)         | (258,201)         |
| Net change in value of gift annuities   | (9,899)           | 9,206             |
| Changes in assets and liabilities:  |                   |                   |
| Pledges and accounts receivable   | (60,049)          | (389,264)         |
| Inventory   | (29,354)          | (2,815)           |
| Prepaid expenses  | 1,854             | (5,192)           |
| Accounts payable  | 8,723             | (25,449)          |
| Accrued expenses  | 613               | 32,121            |
| Funds held for Lions Clubs  | 26,752            | 16,052            |
| <b>Net cash provided by (used in) operating activities</b>  | <b>107,386</b>    | <b>(157,221)</b>  |
| <b>Cash flows from investing activities:</b>  |                   |                   |
| Proceeds from sale of investments   | 422,848           | 966,541           |
| Purchase of investments   | (689,254)         | (205,424)         |
| Purchase of property and equipment  | (49,067)          | (41,930)          |
| <b>Net cash provided by (used in) investing activities</b>  | <b>(315,473)</b>  | <b>719,187</b>    |
| <b>Cash flows from financing activities:</b>  |                   |                   |
| Additions to gift annuities   | -                 | 25,000            |
| Payments on gift annuities  | (6,276)           | (5,526)           |
| <b>Net cash provided by (used in) financing activities</b>  | <b>(6,276)</b>    | <b>19,474</b>     |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | <b>(214,363)</b>  | <b>581,440</b>    |
| Cash and cash equivalents   |                   |                   |
| Beginning of year   | 720,009           | 138,569           |
| <b>End of year</b>  | <b>\$ 505,646</b> | <b>\$ 720,009</b> |

See notes to consolidated financial statements.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2019**

**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, ("Eye Promise") an Oregon single-member limited liability company (a disregarded entity for tax information return purposes), which commenced operations in June 2018. Eye Promise 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**

**Basis of Consolidation**

The consolidated financial statements include those of the Foundation and Eye Promise. All material inter-organizational transactions have been eliminated.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2019**

**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 \$484,556 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.

The Oregon legislature adopted regulations allowing 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, the legislation was intended to benefit younger children in grades 3 and below, therefore it is unlikely that the Foundation will receive the agreed-upon rate for children served in grades 4 and above. Accordingly, an allowance reserve of \$143,011 has been recorded for the year ending June 30, 2019.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2019**

**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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2019**

**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 Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted by the state of Oregon. UPMIFA eliminates the historic dollar value threshold, an amount below which an organization could not spend from an endowment fund and establishes a set of prudent management and investment standards for boards to follow when managing endowment funds. Under UPMIFA, the Foundation may spend so much of an endowment fund as it considers prudent, regardless of whether the fund is below its historic dollar value. A donor's intent to maintain an endowment in perpetuity must still be considered and the fund managed accordingly. However, the Foundation retains variance power over its endowment assets. The Foundation's organizing documents and fund agreements set forth the power to modify any restrictions or conditions on distributions from funds if, in the Foundation's judgment, such restrictions or conditions become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area being served.

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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2019**

**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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2019**

**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, 2018, 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, 2019:

|                                  | <u>Level 1</u>      | <u>Level 2</u>      | <u>Level 3</u> | <u>Total</u>        |
|----------------------------------|---------------------|---------------------|----------------|---------------------|
| Money market funds               | \$ -                | \$ 108,733          | \$ -           | \$ 108,733          |
| Mutual and exchange traded funds | 1,145,530           | -                   | -              | 1,145,530           |
| Common stocks                    | 2,969,858           | -                   | -              | 2,969,858           |
| Corporate bonds                  | 455,533             | 1,677,273           | -              | 2,132,806           |
| Government securities            | -                   | -                   | -              | -                   |
|                                  | <u>\$ 4,570,921</u> | <u>\$ 1,786,006</u> | <u>\$ -</u>    | <u>\$ 6,356,927</u> |

Investment expenses of \$32,622 were netted against interest and dividend income for the year ended June 30, 2019.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2019**

**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, 2019:

|   |                     |
|---|---------------------|
| Financial assets at year-end  |                     |
| Cash and cash equivalents   | \$ 505,646          |
| Pledges receivable - all due in one year  | 484,556             |
| Investments   | <u>6,356,927</u>    |
| Total financial assets  | <u>7,347,129</u>    |
| Less those restricted or designated due to:   |                     |
| Contractual or donor-imposed restrictions:  |                     |
| Subject to satisfaction of donor restrictions   | 952,573             |
| Restricted by donor in perpetuity   | 2,252,594           |
| Board designations:   |                     |
| Board-designated endowment fund   | <u>3,139,347</u>    |
| Total restricted or designated financial assets   | <u>6,344,514</u>    |
| Financial assets available to meet cash needs for<br>general expenditures within one year | <u>\$ 1,002,615</u> |

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. \$700,200 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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2019**

**NOTE E – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30, 2019:

|  |                    |
|--|--------------------|
| Office improvements                            | \$ 186,480         |
| Mobile screening unit and vehicles             | 460,816            |
| Furniture and equipment                        | <u>661,396</u>     |
|  | 1,308,692          |
| Less accumulated depreciation and amortization | <u>(1,073,888)</u> |
|  | <u>\$ 234,804</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, 2019 are summarized as follows:

|                       |                   |
|-----------------------|-------------------|
| Rent                  | \$ 5,040          |
| Professional services | <u>106,602</u>    |
|                       | <u>\$ 111,642</u> |

**NOTE G – RETIREMENT PLAN**

During the year ended June 30, 2018, 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, 2019 were \$37,374.

**OREGON LIONS SIGHT & HEARING FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2019**

**NOTE H – RESTRICTIONS ON NET ASSETS**

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

|   |                     |
|---|---------------------|
| <b>Subject to purpose restrictions:</b>                 |                     |
| Dale Fund   | \$ 174,580          |
| Ross Fund   | 31,160              |
|   | <u>205,740</u>      |
| <br><b>Subject to time restrictions:</b>                |                     |
| Charitable gift annuities                               | 46,633              |
| Unappropriated endowment earnings                       | 700,200             |
|   | <u>746,833</u>      |
| <br><b>Not subject to appropriation or expenditure:</b> |                     |
| Irrigon trust   | 28,587              |
| Tyler trust   | 75,926              |
| General endowment fund                                  | 2,148,081           |
|   | <u>2,252,594</u>    |
| Total net assets with donor restrictions                | <u>\$ 3,205,167</u> |

**NOTE I – ENDOWMENT NET ASSETS**

The composition of and changes therein of the Foundation's endowment funds for the year ended June 30, 2019 are as follows:

|   | Without<br>Donor<br>Restrictions | With Donor Restrictions<br>Accumulated |                  | Total Net<br>Endowment<br>Assets |
|---|----------------------------------|--|------------------|----------------------------------|
|   |                                  | Gains                                  | Corpus           |                                  |
| Endowment net assets,<br>beginning of year  | \$ 2,878,720                     | \$ 761,944                             | \$ 2,252,594     | \$ 5,893,258                     |
| Designations of the Board   | 260,627                          | -                                      | -                | 260,627                          |
| Appropriation of endowment<br>assets for expenditure in year<br>ended June 30, 2019 | -                                | (350,986)                              | -                | (350,986)                        |
| Net investment income (loss)  | -                                | 289,242                                | -                | 289,242                          |
| Endowment net assets, end of year   | <u>\$ 3,139,347</u>              | <u>\$ 700,200</u>                      | <u>2,252,594</u> | <u>\$ 6,092,141</u>              |

**NOTE J – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 8, 2019, which is the date the financial statements were available to be issued.