

RESEARCH TO PREVENT BLINDNESS

**Combined Financial Statements
for year ended
December 31, 2013**

Independent Auditor's Report

To the Board of Trustees
Research to Prevent Blindness

We have audited the accompanying combined financial statements of Research to Prevent Blindness (the "Organization") which comprise the combined statement of financial position as of December 31, 2013 and the related combined statements of activities, cash flows and functional expenses for the year then ended and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audit. We conducted our audits 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 combined financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Research to Prevent Blindness at December 31, 2013 and the results of its activities, cash flows and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have previously audited the Organization's 2012 financial statements, and our report dated March 12, 2013, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent in all material respects, with the audited financial statements from which it has been derived.

Cordon O'Meara, McElinty & Donnelly LLP

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Combined Statement of Financial Position

Assets

	December 31	
	2013	2012
Cash and cash equivalents	\$ 5,784,364	\$ 6,696,930
Investments, at fair value	269,684,238	266,632,684
Interest and other receivable	478,255	649,972
Contributions receivable	484,130	77,321
Equipment, at cost (less accumulated depreciation of \$935,111 in 2013 and \$911,395 in 2012)	40,995	27,723
Other assets	6,000	6,000
Total assets	\$276,477,982	\$274,090,630

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 138,904	\$ 83,250
Due to investment managers – net	112,546	278,258
Grants payable	6,310,248	4,735,410
Total liabilities	6,561,698	5,096,918

Net assets

Unrestricted		
General operating	169,067,606	164,518,818
Designated	38,630,293	41,228,172
Total unrestricted	207,697,899	205,746,990
Temporarily restricted	8,849,089	9,887,918
Permanently restricted	53,369,296	53,358,804
Total net assets	269,916,284	268,993,712
Total liabilities and net assets	\$276,477,982	\$274,090,630

See notes to combined financial statements.

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Combined Statement of Activities

Year Ended December 31, 2013

(With Summarized Comparative Information for the Year Ended December 31, 2012)

	2013					2012	
	Unrestricted			Temporarily Restricted	Permanently Restricted	Total	Total
	General Operating	Designated	Total				
Public support and revenue							
Public support							
Contributions	\$ 307,611	\$ -	\$ 307,611	\$ 833,468	\$ 4,031	\$ 1,145,110	\$ 1,564,481
Combined Federal Campaign	33,785	-	33,785	-	-	33,785	37,908
Ophthalmological associate memberships	93,000	-	93,000	-	-	93,000	102,300
Donated investments	762	-	762	-	-	762	775
Total public support	<u>435,158</u>	<u>-</u>	<u>435,158</u>	<u>833,468</u>	<u>4,031</u>	<u>1,272,657</u>	<u>1,705,464</u>
Revenue							
Interest and dividends	10,048,657	-	10,048,657	506,948	6,461	10,562,066	10,942,425
Other revenue	3,378	-	3,378	-	-	3,378	1,019
Total revenue	<u>10,052,035</u>	<u>-</u>	<u>10,052,035</u>	<u>506,948</u>	<u>6,461</u>	<u>10,565,444</u>	<u>10,943,444</u>
Net assets released from restrictions or designation							
Satisfaction of program restrictions or designations	3,981,226	(2,597,879)	1,383,347	(1,383,347)	-	-	-
Satisfaction of Matching Fund restrictions	1,000,000	-	1,000,000	(1,000,000)	-	-	-
Total net assets released from restrictions or designation	<u>4,981,226</u>	<u>(2,597,879)</u>	<u>2,383,347</u>	<u>(2,383,347)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>15,468,419</u>	<u>(2,597,879)</u>	<u>12,870,540</u>	<u>(1,042,931)</u>	<u>10,492</u>	<u>11,838,101</u>	<u>12,648,908</u>
Expenses							
Program services							
Research grants, net of refunded and canceled grants of \$156,075 in 2013 and \$296,121 in 2012	12,175,306	-	12,175,306	-	-	12,175,306	10,335,004
Direct research support	492,512	-	492,512	-	-	492,512	433,022
Program development to stimulate laboratory expansion and eye research activities	329,190	-	329,190	-	-	329,190	305,123
Scientific symposia, seminars and surveys	281,017	-	281,017	-	-	281,017	269,110
Laboratory construction support projects	14,103	-	14,103	-	-	14,103	12,268
Public and professional information	649,816	-	649,816	-	-	649,816	587,596
Total program services	<u>13,941,944</u>	<u>-</u>	<u>13,941,944</u>	<u>-</u>	<u>-</u>	<u>13,941,944</u>	<u>11,942,123</u>
Supporting services							
Management and general	1,379,347	-	1,379,347	-	-	1,379,347	1,168,041
Fund raising	74,018	-	74,018	-	-	74,018	69,811
Total supporting services	<u>1,453,365</u>	<u>-</u>	<u>1,453,365</u>	<u>-</u>	<u>-</u>	<u>1,453,365</u>	<u>1,237,852</u>
Total expenses	<u>15,395,309</u>	<u>-</u>	<u>15,395,309</u>	<u>-</u>	<u>-</u>	<u>15,395,309</u>	<u>13,179,975</u>
Excess (deficiency) of revenue over expenses before realized gain and change in unrealized appreciation of investments	73,110	(2,597,879)	(2,524,769)	(1,042,931)	10,492	(3,557,208)	(531,067)
Realized gain and change in unrealized appreciation of investments	<u>4,475,678</u>	<u>-</u>	<u>4,475,678</u>	<u>4,102</u>	<u>-</u>	<u>4,479,780</u>	<u>15,097,397</u>
Increase (decrease) in net assets	4,548,788	(2,597,879)	1,950,909	(1,038,829)	10,492	922,572	14,566,330
Net assets, beginning of year	<u>164,518,818</u>	<u>41,228,172</u>	<u>205,746,990</u>	<u>9,887,918</u>	<u>53,358,804</u>	<u>268,993,712</u>	<u>254,427,382</u>
Net assets, end of year	<u>\$169,067,606</u>	<u>\$ 38,630,293</u>	<u>\$207,697,899</u>	<u>\$ 8,849,089</u>	<u>\$ 53,369,296</u>	<u>\$269,916,284</u>	<u>\$268,993,712</u>

See notes to combined financial statements.

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Combined Statement of Cash Flows

	Year Ended December 31	
	2013	2012
Cash flows from operating activities		
Cash received from contributions	\$ 865,086	\$ 1,713,156
Interest and dividends received	10,840,607	10,872,401
Miscellaneous receipts	3,378	1,019
Cash paid to employees and suppliers	(3,140,633)	(2,811,009)
Grants paid	(10,600,468)	(9,867,963)
Net cash (used in) operating activities	(2,032,030)	(92,396)
Cash flows from investing activities		
Purchase of equipment	(36,988)	(2,405)
Sales and maturities of investments	171,750,456	285,088,157
Purchase of investments	(170,594,004)	(284,116,188)
Net cash provided by investing activities	1,119,464	969,564
Net increase (decrease) in cash and cash equivalents	(912,566)	877,168
Cash and cash equivalents, beginning of year	6,696,930	5,819,762
Cash and cash equivalents, end of year	\$ 5,784,364	\$ 6,696,930
Reconciliation of increase in net assets to net cash (used in) operating activities		
Increase in net assets	\$ 922,572	\$ 14,566,330
Adjustments to reconcile increase in net assets to net cash (used in) operating activities		
Depreciation and amortization	23,716	21,072
Donated investments	(762)	(775)
(Increase) decrease in interest and other receivable	171,717	(172,662)
(Increase) decrease in contributions receivable	(406,809)	8,467
Increase in accounts payable and accrued expenses	55,654	5,465
Increase in grants payable	1,574,838	467,041
Net realized (gain) and change in unrealized (appreciation) of investments	(4,479,780)	(15,097,397)
Premiums amortized on investments	106,824	110,063
Net cash (used in) operating activities	\$ (2,032,030)	\$ (92,396)

See notes to combined financial statements.

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Combined Statement of Functional Expenses
Year Ended December 31, 2013

(With Summarized Comparative Information for the Year Ended December 31, 2012)

	2013					Total Program Services	Supporting Services		Total Expenses	2012 Total Expenses
	Research Grants and Direct Research Support	Research Program Development	Scientific Symposia, Seminars and Surveys	Laboratory Construction Support Projects	Public and Professional Information		Management and General	Fund Raising		
Grants	\$12,175,306	\$ -	\$ -	\$ -	\$ -	\$12,175,306	\$ -	\$ -	\$12,175,306	\$10,335,004
Salaries, pension and benefits	178,965	156,594	134,224	11,185	391,485	872,453	212,521	33,556	1,118,530	955,349
Professional fees and services	30,290	21,473	12,864	513	36,099	101,239	1,061,674	8,702	1,171,615	998,247
Conferences, seminars, meetings and travel	88,128	17,528	50,635	1,050	4,616	161,957	2,041	-	163,998	135,015
Telecommunications	2,003	2,753	5,006	251	13,517	23,530	1,252	250	25,032	29,140
Printing, stationery, postage and shipping	1,181	6,259	5,254	1,104	33,243	47,041	1,487	11,935	60,463	67,695
Office supplies, maintenance and occupancy	177,137	113,524	64,798	-	149,137	504,596	61,583	17,511	583,690	565,001
Dues, subscriptions, insurance and miscellaneous	7,218	6,316	5,865	-	15,790	35,189	36,417	1,353	72,959	73,452
Depreciation and amortization	7,590	4,743	2,371	-	5,929	20,633	2,372	711	23,716	21,072
Total expenses – 2013	\$12,667,818	\$ 329,190	281,017	\$ 14,103	\$ 649,816	\$13,941,944	\$ 1,379,347	\$ 74,018	\$15,395,309	\$13,179,975
Total expenses – 2012	\$10,768,026	\$ 305,123	269,110	\$ 12,268	\$ 587,596	\$11,942,123	\$ 1,168,041	\$ 69,811		

See notes to combined financial statements.

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Notes to Combined Financial Statements December 31, 2013

Note 1 – Nature of organization

Research to Prevent Blindness, Inc. (“RPB”) is a publicly supported charity formed in 1960 for the purpose of providing the organizational and financial resources necessary to support a comprehensive program of eye research.

In May 1988, Research to Prevent Blindness Endowment Fund, Inc. (“RPBEF”) was incorporated with its purpose being to support and benefit RPB and efficiently manage the assets of certain endowment funds. The officers of RPBEF are also officers of RPB.

RPBEF makes financial grants to institutions engaged in eye research.

Research to Prevent Blindness, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported charity described in Section 509(a)(1) of the Internal Revenue Code. Research to Prevent Blindness Endowment Fund, Inc. operates as a support organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported charity described in Section 509(a)(3) of the Internal Revenue Code. As of December 31, 2013 and December 31, 2012, no amounts were recognized for uncertain income tax positions taken during those years. In addition, RPB and RPBEF’s tax returns for the 2010 year and forward are subject to the usual review by the appropriate authorities.

Note 2 – Summary of significant accounting policies

Basis of presentation

The accompanying combined financial statements include the accounts of RPB and its support organization, RPBEF. The effects of all transactions between RPB and RPBEF have been eliminated.

Net assets

Unrestricted net assets represent resources over which the Board of Trustees has full discretion with respect to use. Temporarily restricted net assets represent expendable resources, which have been time or purpose restricted by the donor (see note 9).

When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets represent contributions and other gifts, which require that the corpus be maintained intact and that only the income be used as designated by the donor (see note 9).

RESEARCH TO PREVENT BLINDNESS**Notes to Combined Financial Statements (continued)
December 31, 2013****Note 2 – Summary of significant accounting policies (continued)**Contributions

Bequests are recorded as revenue when a legally binding obligation is received and when a fair value can reasonably be determined.

Grants payable

RPB records grants when the Board of Trustees approves them and the grantee is notified. Long-term grants are discounted to their present value using a rate of 5% to reflect the time value of money. Amortization of the discount to par value is reported as grant expense.

Cash equivalents

RPB considers short-term investments with original maturities of 90 days or less to be cash equivalents. Included as cash equivalents are money market funds.

Fair values of financial instruments

RPB's financial instruments consist of cash, investments and interest receivable. RPB estimates that the fair value of all financial instruments as of December 31, 2013 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The carrying amounts of cash and interest receivable reported in the statement of financial position approximate fair values because of the short maturities of those instruments. The fair value of investment securities is based on quoted market prices for those investments. The value of the alternative investments, which is adjusted for unrealized appreciation (depreciation), is based upon the most recent available information provided by management of the fund and may differ from the value that would have been used had a ready market for the alternative investments existed.

Equipment

It is RPB's policy to capitalize equipment items over \$1,000 and a useful life of more than one year. Depreciation of equipment is calculated on a straight-line basis over the estimated asset lives of between three and five years.

RESEARCH TO PREVENT BLINDNESS**Notes to Combined Financial Statements (continued)
December 31, 2013****Note 2 – Summary of significant accounting policies (continued)**Functional allocation of expenses

Salaries are generally allocated to the various programs based on the amount of time spent by specific individuals on each program. Fringe benefits and other employee costs are allocated on an overall basis, corresponding generally to the allocation of salary expenses. All other expenses can generally be identified with the program or supporting service to which they relate.

Use of estimates

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

Concentrations of credit risk

RPB's combined financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents and investments. RPB places its cash and cash equivalents with what it believes to be quality financial institutions. At times during the year, RPB's balances in its bank accounts were in excess of the FDIC insurance limit. RPB has not experienced any losses in such accounts to date. RPB invests in bonds and notes issued by the United States Government and its agencies, an alternative investment, common stocks, mutual funds and corporate bonds and notes. Investments are exposed to various risks such as interest rate, market volatility, liquidity and credit risks. Due to the level of uncertainty related to these risks, it is reasonably possible that changes in these risks could affect the fair value of the investments reported in the statement of financial position at December 31, 2013. RPB routinely assesses the financial strength of its cash and investment portfolio. As a consequence, concentrations of credit risk are limited.

Comparative financial information

The combined financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with RPB's combined financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Subsequent events

RPB has evaluated events and transactions for potential recognition or disclosure through March 18, 2014, which is the date the combined financial statements were available to be issued.

RESEARCH TO PREVENT BLINDNESS**Notes to Combined Financial Statements (continued)
December 31, 2013****Note 3 – Investments**

The amount due to investment managers as of December 31, 2013 was \$112,546.

Fair value measurements

Fair value refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. Fair value measurements are required to be separately disclosed by level within the fair value hierarchy. The three levels of inputs used to measure fair value are as follows:

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

Level 2 – Observable inputs other than level 1 prices such as quoted prices of similar assets; quoted prices in markets with insufficient volume or infrequent transactions (less than active markets).

Level 3 – Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets.

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Notes to Combined Financial Statements (continued)
December 31, 2013

Note 3 – Investments (continued)

The following is a summary of investments measured at fair value on a recurring basis at December 31, 2013:

	<u>December 31,</u> <u>2013</u>	<u>Quoted</u> <u>Prices in</u> <u>Active</u> <u>Markets for</u> <u>Identical</u> <u>Assets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
Common stocks				
Cap growth	\$ 6,669,016	\$ 6,669,016	\$ -	\$ -
Large cap growth	<u>7,200,307</u>	<u>7,200,307</u>	<u>-</u>	<u>-</u>
Total common stock	<u>13,869,323</u>	<u>13,869,323</u>	<u>-</u>	<u>-</u>
Government Obligations	<u>24,013,093</u>	<u>24,013,093</u>	<u>-</u>	<u>-</u>
Corporate bonds and notes	<u>21,517,303</u>	<u>21,517,303</u>	<u>-</u>	<u>-</u>
Mutual funds				
Large cap core	43,288,819	43,288,819	-	-
Global equity	32,420,406	32,420,406	-	-
Enhanced yield	20,489,312	20,489,312	-	-
Inflation -				
Linked	22,293,274	22,293,274	-	-
Absolute return	25,792,540	25,792,540	-	-
Gold	9,858,651	9,858,651	-	-
Commodities	<u>6,688,237</u>	<u>6,688,237</u>	<u>-</u>	<u>-</u>
Total mutual funds	<u>160,831,239</u>	<u>160,831,239</u>	<u>-</u>	<u>-</u>
Alternative investment				
Absolute return	<u>49,453,280</u>	<u>-</u>	<u>39,953,500</u>	<u>9,499,780</u>
Total	<u>\$ 269,684,238</u>	<u>\$ 220,230,958</u>	<u>\$ 39,953,500</u>	<u>\$ 9,499,780</u>

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Notes to Combined Financial Statements (continued) December 31, 2013

Note 3 – Investments (continued)

The following is a summary of the changes in the fair market value of RPB's Level 3 investments for the year ended December 31, 2013:

	<u>Absolute Return</u>
Balance, January 1, 2013	\$ 8,765,775
Net gains (realized and unrealized)	251,319
Net investment (loss)	(27,851)
Net transfers in	<u>510,537</u>
Balance, December 31, 2013	<u>\$ 9,499,780</u>

Note 4 – Contributions receivable

As of December 31, 2013, the contributions receivable are due as follows:

Due within one year	\$ 328,370
Due in subsequent years	<u>206,995</u>
Total	535,365
Less discount to present value	<u>51,235</u>
Net contributions receivable	<u>\$ 484,130</u>

The contributions receivable as of December 31, 2013 is discounted to its present value using a rate of 5% to reflect the time value of money and is deemed to be collectible.

Note 5 – Lease commitment

RPB leases its current office premises at 645 Madison Avenue, New York, New York for a 10-year period, which expires on March 31, 2016. Total rent expense, including escalation charges, amounted to \$503,616 in 2013 and \$491,110 in 2012.

Future obligations under this lease, excluding escalation charges, are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 399,500
2015	399,500
2016	<u>99,875</u>
Total	<u>\$ 898,875</u>

RESEARCH TO PREVENT BLINDNESS**Notes to Combined Financial Statements (continued)
December 31, 2013****Note 6 – Retirement plan**

RPB has a defined contribution retirement plan covering all of its employees. Employees are partially vested on an incremental scale during their first six years of employment; thereafter, they are 100% vested. The plan expense for the years ended December 31, 2013 and December 31, 2012 totaled \$98,813 and \$137,661, respectively.

Note 7 – Special RPB Jules and Doris Stein Professorship Grants and RPB Career Development Awards

During 1986, the Board of Trustees of RPB designated funds from unrestricted net assets of \$11,500,000 to assure adequate financial support for the Jules and Doris Stein RPB Professorship Grants. During 1995, the Board designated an additional \$30,000,000 for this purpose. In addition, during 2005, the Board designated an additional \$4,971,303 for this purpose. The grants of \$625,000 each cover a period of five years with the opportunity to apply for an additional 2-year grant for \$250,000. Payments are not subject to annual renewal by the Board. Professorship grants totaling \$1,025,000 were awarded in 2013 and in 2012. The balance of such designated funds amounted to \$25,064,976 at December 31, 2013.

During 1990, the Board of Trustees of RPBEF designated funds from unrestricted net assets of \$10,000,000 to assure adequate financial support for the RPB career development awards. During 2005, the Board designated an additional \$24,458,917 for this purpose. The grants of \$250,000 each cover a period of four years and were developed to attract young physicians and basic scientists into investigative careers in eye research. Career development awards totaling \$1,750,000 were awarded in 2013 and 2012. A discounted Career Development Award, totaling \$88,543, was canceled in 2013. In addition, grants of \$35,007 were refunded in 2013. The balance of such designated funds amounted to \$13,565,317 at December 31, 2013.

Note 8 – Jules and Doris Stein Matching Fund

During 1984, the Jules and Doris Stein Foundation contributed \$10,756,710 to RPB to establish the Jules and Doris Stein Matching Fund (the “Fund”). This Fund, which commenced in the beginning of 1985, enables RPB to continue Dr. and Mrs. Stein’s traditional year-end offers to match up to \$1,000,000 in contributions from others. The principal from the Fund may be used for matching only to the extent that there is insufficient investment return. Investment return earned in excess of the matching requirements is added to the Fund balance.

The Fund had net investment return of \$275,914 (interest, dividends, capital gains and losses) for the year ended December 31, 2013, and a net investment return of \$377,745 for the year ended December 31, 2012. In accordance with the terms of the Fund, \$1,000,000 was released in both 2013 and 2012 for the general programs and activities of RPB to match contributions received during these years.

RESEARCH TO PREVENT BLINDNESS**Notes to Combined Financial Statements (continued)
December 31, 2013****Note 8 – Jules and Doris Stein Matching Fund (continued)**

The principal of the Fund was decreased by \$724,086 and \$622,255 for the years ended December 31, 2013 and December 31, 2012, respectively.

Note 9 – Net assets**Endowments**

RPB classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as unrestricted and temporarily restricted net assets based on donor stipulations.

RPB's long-term assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of RPB, the Board of Trustees takes into account a number of factors including the financial needs and circumstances of RPB, the time horizon available for investment, the nature of RPB's cash flows and liabilities, and other factors that affect their risk tolerance.

RPB has a policy of spending the investment return generated from its permanently restricted funds, which is allowable under the donor guidelines. At December 31st, any unspent donor-restricted investment return is added to the temporarily restricted balance of the appropriate fund. This is consistent with RPB's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional growth through investment return and new gifts.

Permanently restricted net assets

These net assets represent contributions and bequests made into the following funds and are restricted to investment in perpetuity. Investment return from these funds is available for unrestricted use except with respect to the William & Mary Greve Memorial Fund, the Dolly Green Endowment Fund, the two Sybil B. Harrington Funds and the John D. and Patricia Sakona Endowment Fund, David B. Sykes Endowment Fund and The Ernest E. and Elizabeth P. Althouse Memorial Fund where investment return is temporarily restricted.

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**Notes to Combined Financial Statements (continued)
December 31, 2013**

Note 9 – Net assets (continued)

Permanently restricted net assets (continued)

Permanently restricted net assets activity for the year ended December 31, 2013 is as follows:

	Balance at December 31, <u>2012</u>	Contributions to Fund	Investment Return	Balance at December 31, <u>2013</u>
Jules & Doris Stein Endowment Fund	\$ 45,087,782	\$ -	\$ -	\$ 45,087,782
Lew R. & Edie Wasserman Fund	1,407,412	-	-	1,407,412
Sybil B. Harrington Macular Degeneration Fund	1,500,000	-	-	1,500,000
Sybil B. Harrington Eye Disease Fund	1,500,000	-	-	1,500,000
William & Mary Greve Memorial Fund	519,943	-	-	519,943
Dolly Green Fund	500,000	-	-	500,000
Desiree L. Franklin Endowment Fund	138,700	-	-	138,700
Eugene G. Blackford Memorial Fund	28,000	-	-	28,000
John D. and Patricia Sakona Endowment Fund	75,453	-	-	75,453
David B. Sykes Endowment Fund	227,369	-	6,461	233,830
The Ernest E. and Elizabeth P. Althouse Memorial Fund	2,193,667	-	-	2,193,667
William Malloy, Jr. Endowment Fund	<u>180,478</u>	<u>4,031</u>	<u>-</u>	<u>184,509</u>
Total permanently restricted net assets	<u>\$ 53,358,804</u>	<u>\$ 4,031</u>	<u>\$ 6,461</u>	<u>\$ 53,369,296</u>

RESEARCH TO PREVENT BLINDNESS

Notes to Combined Financial Statements (continued) December 31, 2013

Note 9 – Net assets (continued)

Temporarily restricted net assets

Temporarily restricted net assets activity for the year ended December 31, 2013 is as follows:

	Balance at December 31, 2012	Contributions to Fund	Net Assets Released from Restrictions	Investment Return (Includes Realized Gain)	Balance at December 31, 2013
Jules & Doris Stein Matching Fund	\$ 6,239,831	\$ -	\$ (1,000,000)	\$ 275,914	\$ 5,515,745
Sybil B. Harrington Fund	223,353	-	(50,000)	6,119	179,472
Income available from the Sybil B. Harrington Macular Degeneration Fund	143,728	-	(55,000)	44,271	132,999
Income available from the Sybil B. Harrington Eye Disease Fund	234,296	-	(55,000)	46,753	226,049
Income available from the William & Mary Greve Memorial Fund	706,748	-	(60,000)	35,108	681,856
Income available from the Dolly Green Fund	54,972	-	(25,000)	15,916	45,888
Walt & Lilly Disney Foundation	146,496	100,000	(100,000)	3,325	149,821
John D. & Patricia Sakona Fund	52,999	-	-	6,396	59,395
David B. Sykes Endowment Fund	8,501	-	-	-	8,501
The Ernest E. and Elizabeth P. Althouse Memorial Fund	314,683	-	(74,978)	67,682	307,387
Margaret Nelson Trust	1,043,841	-	(200,000)	-	843,841
Sanders Living Trust	578,470	4,644	(592,680)	9,566	-
McCreary Trust	-	88,016	-	-	88,016
Francis W. Hatch	-	366,071	-	-	366,071
International Retinal Research Foundation	-	244,048	-	-	244,048
Catherine S. Coughlin Estate	140,000	30,689	(170,689)	-	-
Total temporarily restricted net assets	\$ 9,887,918	\$ 833,468	\$ (2,383,347)	\$ 511,050	\$ 8,849,089

RESEARCH TO PREVENT BLINDNESS

Notes to Combined Financial Statements (continued)
December 31, 2013

Note 9 – Net assets (continued)

Designated funds

The Board of Trustees of RPB designated funds from unrestricted net assets to assure adequate financial support for the Jules and Doris Stein Professorship Grants and for the RPB Career Development Awards (see note 7). Designated fund activity for the years ending December 31, 2013 and December 31, 2012 is as follows:

	<u>December 31</u>	
	<u>2013</u>	<u>2012</u>
Jules and Doris Stein Professorship Grants		
Balance, beginning of year	\$ 26,067,911	\$ 27,074,607
Grants awarded	(1,002,935)	(1,007,696)
Grants canceled	<u> -</u>	<u> 1,000</u>
Balance, end of year	<u>25,064,976</u>	<u>26,067,911</u>
Career Development Awards		
Balance, beginning of year	15,160,261	16,705,973
Grants awarded	(1,718,494)	(1,721,136)
Grants canceled	<u> 123,550</u>	<u> 175,424</u>
Balance, end of year	<u>13,565,317</u>	<u>15,160,261</u>
Total designated funds, at year-end	<u>\$ 38,630,293</u>	<u>\$ 41,228,172</u>