

RESEARCH TO PREVENT BLINDNESS

**Combined Financial Statements
for year ended
December 31, 2017**

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, 2017 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 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 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 in the first paragraph of the previous page present fairly, in all material respects, the financial position of Research to Prevent Blindness at December 31, 2017 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 2016 financial statements, and our report dated March 14, 2017, 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, 2016, is consistent in all material respects, with the audited financial statements from which it has been derived.

Condon O'Meara McElroy & Donnelly LLP

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Combined Statement of Financial Position

Assets

	December 31	
	2017	2016
Cash and cash equivalents	\$ 16,696,783	\$ 5,126,562
Investments, at fair value	269,510,696	256,580,983
Interest and other receivable	962,790	292,684
Contributions receivable	458,495	518,547
Due from investment managers – net	-	828,686
Prepaid expenses	63,319	78,814
Equipment and leasehold improvements, at cost		
Equipment, at cost (less accumulated depreciation of \$134,689 in 2017 and \$70,607 in 2016)	222,892	282,996
Leasehold improvements, at cost (less accumulated amortization of \$103,789 in 2017 and \$47,877 in 2016)	762,785	818,697
Total assets	\$288,677,760	\$264,527,969

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 186,652	\$ 96,944
Due to investment managers – net	889,376	-
Grants payable	8,877,164	7,913,819
Deferred lease incentives	883,515	918,822
Total liabilities	10,836,707	8,929,585
Net assets		
Unrestricted		
General operating	185,875,885	161,146,624
Designated	32,313,500	34,251,912
Total unrestricted	218,189,385	195,398,536
Temporarily restricted	6,229,488	6,792,071
Permanently restricted	53,422,180	53,407,777
Total net assets	277,841,053	255,598,384
Total liabilities and net assets	\$288,677,760	\$264,527,969

See notes to combined financial statements.

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Combined Statement of Activities
Year Ended December 31, 2017
(With Summarized Comparative Information for the Year Ended December 31, 2016)

	2017			2016		
	General Operating	Unrestricted Designated	Total	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue						
Public support						
Contributions	\$ 706,641	\$ -	\$ 706,641	\$ 561,596	\$ 6,127	\$ 1,274,364
Combined Federal Campaign	2,215	-	2,215	-	-	2,167
Ophthalmological associate memberships	54,950	-	54,950	-	-	53,050
Donated investments	12,182	-	12,182	-	-	21,227
Total public support	775,988	-	775,988	561,596	6,127	1,343,711
Revenue						
Interest and dividends	6,897,149	11,928	6,909,077	371,252	8,276	7,288,605
Net limited partnership (loss)	(27,358)	-	(27,358)	-	-	(27,358)
Other revenue	1,002	-	1,002	-	-	3,085
Total revenue	6,870,793	11,928	6,882,721	371,252	8,276	7,262,249
Net assets released from restrictions or designation						
Satisfaction of program restrictions or designation	2,827,245	(2,075,995)	751,250	(751,250)	-	-
Satisfaction of Matching Fund restrictions	1,000,000	-	1,000,000	(1,000,000)	-	-
Total net assets released from restrictions or designation	3,827,245	(2,075,995)	1,751,250	(1,751,250)	-	-
Total public support and revenue	11,474,026	(2,064,067)	9,409,959	(818,402)	14,403	8,605,960
Expenses						
Program services						
Research grants, net of refunded and canceled grants of \$59,466 in 2017 and \$220,341 in 2016	10,910,880	-	10,910,880	-	-	9,712,731
Direct research support	528,208	-	528,208	-	-	530,864
Program development to stimulate laboratory expansion and eye research activities	368,993	-	368,993	-	-	371,668
Scientific symposia, seminars and surveys	300,956	-	300,956	-	-	321,490
Public and professional information	729,552	-	729,552	-	-	740,456
Total program services	12,838,589	-	12,838,589	-	-	11,677,209
Supporting services						
Management and general	1,440,324	-	1,440,324	-	-	1,145,538
Fund raising	74,828	-	74,828	-	-	80,825
Total supporting services	1,515,152	-	1,515,152	-	-	1,226,363
Total expenses	14,353,741	-	14,353,741	-	-	12,903,572
Excess (deficiency) of revenue over expenses before net realized gain and change in unrealized appreciation of investments and transfer	(2,879,715)	(2,064,067)	(4,943,782)	(818,402)	14,403	(3,710,343)
Net realized gain and change in unrealized appreciation of investments						
Transfer	27,734,631	-	27,734,631	255,819	-	27,990,450
	(125,655)	125,655	-	-	-	-
Net assets, beginning of year	24,729,261	(1,938,412)	22,790,849	(562,583)	14,403	22,242,669
Net assets, end of year	161,146,624	34,251,912	195,398,536	6,792,071	53,407,777	249,341,152
	\$ 185,875,885	\$ 32,313,500	\$ 218,189,385	\$ 6,229,488	\$ 53,422,180	\$ 255,598,584

See notes to combined financial statements.

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Combined Statement of Cash Flows

	Year Ended December 31	
	2017	2016
Cash flows from operating activities		
Cash received from contributions	\$ 1,391,581	\$ 1,684,191
Interest and dividends received	6,618,499	7,947,415
Miscellaneous receipts	1,002	3,085
Cash paid to employees and suppliers	(3,252,971)	(2,933,383)
Grants paid	(9,947,535)	(9,501,198)
Net cash (used in) operating activities	(5,189,424)	(2,799,890)
Cash flows from investing activities		
Purchase of equipment and leasehold improvements, net of deferred lease incentives	(3,978)	(227,883)
Sales and maturities of investments	183,224,372	39,262,711
Purchase of investments	(166,460,749)	(37,188,155)
Net cash provided by investing activities	16,759,645	1,846,673
Net increase (decrease) in cash and cash equivalents	11,570,221	(953,217)
Cash and cash equivalents, beginning of year	5,126,562	6,079,779
Cash and cash equivalents, end of year	\$ 16,696,783	\$ 5,126,562
Reconciliation of increase in net assets to net cash (used in) operating activities		
Increase in net assets	\$ 22,242,669	\$ 6,257,232
Adjustments to reconcile increase in net assets to net cash (used in) operating activities		
Depreciation and amortization	119,994	86,641
Net limited partnership loss	27,358	-
Donated investments	(12,182)	(21,227)
Change in deferred lease incentives	(35,307)	173,774
(Increase) decrease in interest and other receivable	(670,106)	781,370
(Increase) decrease in contributions receivable	60,052	(318,681)
(Increase) decrease in prepaid expenses	15,495	(32,977)
Increase in accounts payable and accrued expenses	89,708	30,020
Increase in grants payable	963,345	211,533
Net realized (gain) and change in unrealized (appreciation) of investments	(27,990,450)	(9,967,575)
Net cash (used in) operating activities	\$ (5,189,424)	\$ (2,799,890)

See notes to combined financial statements.

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Combined Statement of Functional Expenses
Year Ended December 31, 2017

(With Summarized Comparative Information for the Year Ended December 31, 2016)

	2017						2016
	Program Services			Supporting Services			
	Research Program Development	Scientific Symposia, Seminars and Surveys	Public and Professional Information	Total Program Services	Management and General	Fund Raising	Total Expenses
Grants	\$ 195,294	\$ -	\$ -	\$ 10,910,880	\$ -	\$ -	\$ 9,712,731
Salaries, pension and benefits	34,994	167,394	502,184	1,088,065	265,041	41,849	1,379,300
Professional fees and services	31,796	14,164	40,701	141,584	1,067,919	4,643	880,046
Conferences, seminars, meetings and travel	3,050	52,262	5,538	185,368	2,749	-	179,469
Telecommunications	2,491	5,546	15,251	26,065	1,386	277	22,374
Printing, stationery, postage and shipping	66,330	1,652	21,279	26,130	560	11,896	57,914
Office supplies, maintenance and occupancy	11,039	37,687	86,982	294,595	35,878	10,221	485,505
Dues, subscriptions, insurance and miscellaneous	23,999	10,252	27,598	61,507	54,792	2,342	99,592
Depreciation and amortization	38,398	11,999	29,999	104,395	11,999	3,600	86,641
Total expenses – 2017	\$ 368,993	\$ 300,956	\$ 729,552	\$ 12,838,589	\$ 1,440,324	\$ 74,828	\$ 14,353,741
Total expenses – 2016	\$ 371,668	\$ 321,490	\$ 740,456	\$ 11,677,209	\$ 1,145,538	\$ 80,825	

See notes to combined financial statements.

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Notes to Combined Financial Statements

December 31, 2017

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.

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 combined 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, 2017****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, 2017 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying combined statement of financial position. The carrying amounts of cash and interest receivable reported in the combined 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 and leasehold improvements

It is RPB's policy to capitalize equipment items and leasehold improvements 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. Leasehold improvements are amortized over the term of the lease.

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Notes to Combined Financial Statements (continued) December 31, 2017

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 combined 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 combined 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, investments and contributions receivable. 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's 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 combined statement of financial position at December 31, 2017. RPB routinely assesses the financial strength of its cash and investment portfolio and monitors the collectability of its contributions receivable. 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, 2016, from which the summarized information was derived.

Subsequent events

RPB has evaluated events and transactions for potential recognition or disclosure through March 13, 2018, 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, 2017****Note 3 – Investments**

The amount due to investment managers as of December 31, 2017 was \$889,376.

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.

The fair value of the RPB's investments in a hedge fund, global equity fund and S&P 500 fund, are determined using the net asset value (NAV) per share and are not included into the fair value hierarchy in accordance with Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which exempts investments measured using the net asset value (NAV) practical expedient in ASC 820, *Fair Value Measurement*, from categories within the fair value hierarchy and related disclosures.

This ASU requires presentation of the carrying amount of investments measured using the NAV practical expedient as a reconciling item between the total amount of investments categorized within the fair value hierarchy and the total investments measured at fair value on the face of the financial statements.

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Notes to Combined Financial Statements (continued)

December 31, 2017

Note 3 – Investments (continued)

The following is a summary of investments measured at fair value on a recurring basis at December 31, 2017:

	December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds				
Equity				
Global equity	\$ 31,369,941	\$ 31,369,941	\$ -	\$ -
Emerging markets	6,729,472	6,729,472	-	-
Small Cap	5,514,270	5,514,270	-	-
S&P 500	1,511,232	1,511,232	-	-
Bond				
Core bond funds	53,836,940	53,836,940	-	-
Enhanced yield	18,962,616	18,962,616	-	-
Inflation - Linked	9,418,991	9,418,991	-	-
Absolute return	<u>2,639,556</u>	<u>2,639,556</u>	-	-
Total mutual funds	<u>129,983,018</u>	<u>129,983,018</u>	-	-
Alternative investments				
Absolute return	56,740,332	-	45,742,531	10,997,801
Limited partnership	<u>12,675,217</u>	-	-	<u>12,675,217</u>
Total alternative investments	<u>69,415,549</u>	-	<u>45,742,531</u>	<u>23,673,018</u>
Total investments measured in the fair value hierarchy	199,398,567	<u>\$129,983,018</u>	<u>\$ 45,742,531</u>	<u>\$ 23,673,018</u>
Investments measured at net asset value				
Hedge fund	18,387,754			
Limited liability companies				
MSCI EAFE Fund	22,825,984			
S&P 500 fund	<u>28,898,391</u>			
Total investments at fair value	<u>\$269,510,696</u>			

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Notes to Combined Financial Statements (continued)

December 31, 2017

Note 3 – Investments (continued)

RPB uses the net asset value (NAV), or its equivalent, to determine the fair value of all the underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

The table below lists the restrictions on withdrawals and the redemption terms of RPB's investments:

<u>Type/Fund</u>	<u>Investment Strategy</u>	<u>Redemptions Terms</u>	<u>Redemption Restrictions</u>
Hedge Fund - 1	Risk-adjusted returns invested in equity, fixed income and commodities	Within 30 days of redemption date	Redemption date restricted to last business day of each month
Limited Liability Companies - 2	Borrowing and lending securities	1 day	N/A
	Publicly traded equity securities	1 day	N/A
Limited Partnership - 1	Securities and other tangible investment instruments	Within 30 business days from the redemption date	N/A

None of the above funds have any unfunded commitments.

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, 2017:

	<u>Absolute Return</u>	<u>Limited Partnership</u>	<u>Total</u>
Balance, January 1, 2017	\$ 9,703,008	\$ -	\$ 9,703,008
Net gain (loss) (realized and unrealized)	600,620	6,411	607,031
Net investment (loss)	(19,234)	(31,194)	(50,428)
Net transfers in	713,407	12,700,000	13,413,407
Balance, December 31, 2017	<u>\$ 10,997,801</u>	<u>\$ 12,675,217</u>	<u>\$ 23,673,018</u>

Note 4 – Contributions receivable

As of December 31, 2017, the contributions receivable are due as follows:

Due within one year	\$ 402,120
Due in subsequent years	<u>118,515</u>
Total	520,635
Less discount to present value	<u>62,140</u>
Net contributions receivable	<u>\$ 458,495</u>

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Notes to Combined Financial Statements (continued) December 31, 2017

Note 4 – Contributions receivable (continued)

The contributions receivable as of December 31, 2017 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 leased its former office premises at 645 Madison Avenue, New York, New York for a 10-year period, which expired on March 31, 2016. Total rent expense, including escalation charges, amounted \$135,655 in 2016 on this lease.

In August 2015, RPB signed a new lease for office space at 360 Lexington Avenue, New York, New York which expires on August 31, 2031. In connection with the lease agreement, RPB gave the landlord an irrevocable letter of credit of \$102,069 as security for the lease agreement.

In connection with the new lease agreement, RPB received eight months of free rent. RPB amortizes rent expense each year equally over the term of the lease. The difference between rent expense recorded in this manner and the actual cash paid per the lease agreement is included in the deferred lease incentives. In addition, the landlord incurred build-out costs on behalf of RPB totaling \$745,048 which is included in deferred lease incentives and is being amortized over the life of the lease. Total rent expense amounted to \$287,377 in 2017 on this lease.

Future obligations under these leases, excluding escalation charges, are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 309,208
2019	309,208
2020	309,208
2021	316,043
2022	336,548
2023 and thereafter	<u>3,051,171</u>
Total	<u>\$ 4,631,386</u>

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, 2017 and December 31, 2016 totaled \$171,334 and \$157,087, respectively.

RESEARCH TO PREVENT BLINDNESS**Notes to Combined Financial Statements (continued)
December 31, 2017****Note 7 – Special RPB Jules and Doris Stein Professorship Grants, RPB Career Development Awards and the David F. Weeks Award**

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 \$250,000 were awarded in 2017. There were no professorship grants awarded in 2016. The balance of such designated funds amounted to \$24,418,598 at December 31, 2017.

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 totaled \$1,800,000 in 2017 and \$1,500,000 in 2016, respectively. Grants of \$5,282 and \$1,088 were refunded in 2017 and 2016, respectively. Discounted career development awards, totaling \$204,244 were canceled in 2016. The balance of such designated funds amounted to \$7,290,422 at December 31, 2017.

In 2016, an anonymous donor contributed \$500,000 to RPB as a restricted gift in partial support of an award honoring RPB Chair Emeritus David F. Weeks. During 2017 an additional \$125,655 was contributed to this fund which was also matched by RPB. The following conditions were applied to the Award:

- The \$500,000 gift was matched by \$500,000 from RPB with the total \$1,000,000 held in restriction and invested in a Vanguard S&P 500 ETF. RPB's contribution is held as an unrestricted Board designated fund.
- From this account an annual award of \$40,000 would be granted from RPB to the Association of University Programs in Ophthalmology (AUPO) to be given as an unrestricted prize to a researcher chosen by a special AUPO committee. The award will be given annually for at least 20 years and only U.S. researchers are eligible.

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.

RESEARCH TO PREVENT BLINDNESS**Notes to Combined Financial Statements (continued)
December 31, 2017****Note 8 – Jules and Doris Stein Matching Fund (continued)**

The Fund had net investment return of \$368,957 (interest, dividends, capital gains and losses) for the year ended December 31, 2017, and a net investment return of \$197,593 for the year ended December 31, 2016. In accordance with the terms of the Fund, \$1,000,000 was released in both 2017 and 2016 for the general programs and activities of RPB to match contributions received during these years.

The principal of the Fund was decreased by \$631,043 and \$802,407 for the years ended December 31, 2017 and December 31, 2016, 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, 2017

Note 9 – Net assets (continued)

Permanently restricted net assets (continued)

Permanently restricted net assets activity for the year ended December 31, 2017 is as follows:

	Balance at December 31, <u>2016</u>	Contributions to Fund	Investment Return	Balance at December 31, <u>2017</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	256,951	-	8,276	265,227
The Ernest E. and Elizabeth P. Althouse Memorial Fund	2,193,667	-	-	2,193,667
William Malloy, Jr. Endowment Fund	<u>199,869</u>	<u>6,127</u>	<u>-</u>	<u>205,996</u>
Total permanently restricted net assets	<u>\$ 53,407,777</u>	<u>\$ 6,127</u>	<u>\$ 8,276</u>	<u>\$ 53,422,180</u>

RESEARCH TO PREVENT BLINDNESS

Notes to Combined Financial Statements (continued)
December 31, 2017Note 9 – Net assets (continued)Temporarily restricted net assets

Temporarily restricted net assets activity for the year ended December 31, 2017 is as follows:

	Balance at December 31, 2016	Contributions to Fund	Net Assets Released from Restrictions	Investment Return (Includes Realized Gain)	Balance at December 31, 2017
Jules & Doris Stein Matching Fund	\$ 3,952,084	\$ -	\$ (1,000,000)	\$ 368,957	\$ 3,321,041
Sybil B. Harrington Fund	38,357	-	-	1,199	39,556
Income available from the Sybil B. Harrington Macular Degeneration Fund	115,260	-	(55,000)	50,363	110,623
Income available from the Sybil B. Harrington Eye Disease Fund	217,130	-	(55,000)	52,678	214,808
Income available from the William & Mary Greve Memorial Fund	610,211	-	(60,000)	34,498	584,709
Income available from the Dolly Green Fund	20,466	-	(25,000)	15,895	11,361
Walt & Lilly Disney Foundation	107,829	100,000	(100,000)	2,073	109,902
John D. & Patricia Sakona Fund	74,671	-	(75,000)	6,033	5,704
David B. Sykes Endowment Fund	8,501	-	-	-	8,501
The Ernest E. and Elizabeth P. Althouse Memorial Fund	309,362	-	(75,000)	76,870	311,232
McCreary Trust	108,770	-	-	-	108,770
Francis W. Hatch	13,450	-	-	-	13,450
Stavros S. Niarchos Foundation	160,374	-	(86,250)	-	74,124
CTA Foundation	100,000	-	-	-	100,000
Lion's Club Int'l.	278,911	-	(150,000)	-	128,911
David F. Weeks Awards	486,898	125,655	(20,000)	11,928	604,481
Reader's Digest Partners for Sight	-	50,000	(50,000)	-	-
Free Family Foundation	-	285,941	-	-	285,941
Income available from the William Malloy Jr. Fund	-	-	-	6,577	6,577
Bridget Beatrice Tiedman Trust	189,797	-	-	-	189,797
Total temporarily restricted net assets	<u>\$ 6,792,071</u>	<u>\$ 561,596</u>	<u>\$ (1,751,250)</u>	<u>\$ 627,071</u>	<u>\$ 6,229,488</u>

RESEARCH TO PREVENT BLINDNESS

Notes to Combined Financial Statements (continued) December 31, 2017

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, the RPB Career Development Awards and the David F. Weeks Awards (see note 7). The grants awarded below include the change in the discount during 2017 and 2016. Designated fund activity for the years ended December 31, 2017 and December 31, 2016 is as follows:

	December 31	
	2017	2016
Jules and Doris Stein Professorship Grants		
Balance, beginning of year	\$ 24,707,780	\$ 24,736,422
Grants awarded	(289,182)	(28,642)
Balance, end of year	<u>24,418,598</u>	<u>24,707,780</u>
Career Development Awards		
Balance, beginning of year	9,057,235	10,355,389
Grants awarded	(1,772,095)	(1,503,486)
Grants canceled/refunded	5,282	205,332
Balance, end of year	<u>7,290,422</u>	<u>9,057,235</u>
David F. Weeks Awards		
Balance, beginning of year	486,897	-
Transfer from general operating	125,655	500,000
Investment return	11,928	6,897
Grants awarded	(20,000)	(20,000)
Balance, end of year	<u>604,480</u>	<u>486,897</u>
Total designated funds, at year-end	<u>\$ 32,313,500</u>	<u>\$ 34,251,912</u>

David F. Weeks Awards

The following is a summary of the David F. Weeks Awards as of December 31, 2017:

Unrestricted – designated	\$ 604,480
Temporarily restricted	<u>604,481</u>
Total	<u>\$ 1,208,961</u>