

PREVENT BLINDNESS WISCONSIN, INC.
Milwaukee, Wisconsin

Audited Financial Statements

Years Ended March 31, 2017 and 2016

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Independent Auditors' Report

The Board of Directors
Prevent Blindness Wisconsin, Inc.
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Prevent Blindness Wisconsin, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prevent Blindness Wisconsin, Inc. as of March 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. GAAP.

Report on Summarized Comparative Information

We have previously audited Prevent Blindness Wisconsin, Inc.'s financial statements, and our report dated May 27, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

June 20, 2017
Milwaukee, Wisconsin

PREVENT BLINDNESS WISCONSIN, INC.
Milwaukee, Wisconsin

Statements of Financial Position
March 31, 2017 and 2016

| ASSETS | <u>2017</u> | <u>2016</u> |
|--|--------------------------|--------------------------|
| Cash and equivalents | \$ 528,890 | \$ 397,872 |
| Certificates of deposit | 61,844 | 98,311 |
| Investments | 216,031 | 196,514 |
| Accounts receivable | 20,351 | 20,049 |
| Pledges receivable | 1,250 | 58,575 |
| Publication inventory | 5,572 | 3,882 |
| Prepaid expense | 14,900 | 11,400 |
| Property and equipment, net of accumulated depreciation | 21,560 | 13,761 |
| | Total assets | Total assets |
| | \$ 870,398 | \$ 800,364 |
| | \$ 870,398 | \$ 800,364 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 9,324 | \$ 14,527 |
| Due to Prevent Blindness America | 20,743 | 15,071 |
| Deferred revenue | 1,646 | 5,800 |
| Deferred rent liability | 5,780 | - |
| | Total liabilities | Total liabilities |
| | 37,493 | 35,398 |
| Net Assets: | | |
| Unrestricted: | | |
| Undesignated, available for general activities | 600,209 | 483,293 |
| Designated by the Board of Directors for specific purposes | 167,875 | 167,875 |
| | Total unrestricted | Total unrestricted |
| | 768,084 | 651,168 |
| Temporarily restricted | 53,519 | 102,496 |
| Permanently restricted | 11,302 | 11,302 |
| | Total net assets | Total net assets |
| | 832,905 | 764,966 |
| | \$ 870,398 | \$ 800,364 |

The accompanying notes to financial statements
are an integral part of these statements.

PREVENT BLINDNESS WISCONSIN, INC.

Milwaukee, Wisconsin

Statement of Activities

Year Ended March 31, 2017

With Summarized Information for the Year Ended March 31, 2016

| | TOTALS | | | | | | | | | |
|---|---------------------|----------------|-------------------------------|-----------------|-------------------------------|---------------|------------------------------|----------------|----|----------------|
| | Unrestricted | | Temporarily Restricted | | Permanently Restricted | | Years Ended March 31, | | | |
| | | | | | | | 2017 | 2016 | | |
| Revenue, Gains, and Other Support: | | | | | | | | | | |
| Contributions and grants | \$ | 403,120 | \$ | 110,250 | \$ | - | \$ | 513,370 | \$ | 357,336 |
| Special events | | 225,077 | | - | | - | 225,077 | 214,907 | | |
| Legacies | | 59,250 | | - | | - | 59,250 | - | | |
| Investment income | | 5,414 | | - | | - | 5,414 | 7,825 | | |
| Unrealized gain (loss) on investments | | 14,919 | | - | | - | 14,919 | (9,406) | | |
| Program service revenue | | 20,838 | | - | | - | 20,838 | 21,086 | | |
| Contributed asset | | 14,000 | | - | | - | 14,000 | - | | |
| Net Assets Released From Restrictions: | | | | | | | | | | |
| Satisfaction of program restrictions | | 159,227 | | (159,227) | | - | - | - | | - |
| Total revenue, gains and other support | | 901,845 | | (48,977) | | - | 852,868 | 591,748 | | |
| Expenses: | | | | | | | | | | |
| Program Services: | | | | | | | | | | |
| Public health education | | 21,788 | | - | | - | 21,788 | 81,646 | | |
| Professional education and training | | 35,041 | | - | | - | 35,041 | 42,820 | | |
| Community services | | 455,430 | | - | | - | 455,430 | 240,026 | | |
| Costs of direct benefits to donors | | 64,064 | | - | | - | 64,064 | 39,878 | | |
| Supporting Services: | | | | | | | | | | |
| General and administrative | | 61,156 | | - | | - | 61,156 | 52,179 | | |
| Fund-raising | | 69,396 | | - | | - | 69,396 | 61,704 | | |
| Total functional expenses | | 706,875 | | - | | - | 706,875 | 518,253 | | |
| Affiliate Support of National Programs | | 75,859 | | - | | - | 75,859 | 67,932 | | |
| Total expenses | | 782,734 | | - | | - | 782,734 | 586,185 | | |
| Excess (deficiency) of revenue, gains and other support over expenses | | 119,111 | | (48,977) | | - | 70,134 | 5,563 | | |
| Nonoperating revenue, gains and losses: | | | | | | | | | | |
| Net loss on disposal of assets | | (2,195) | | - | | - | (2,195) | - | | |
| Change in net assets | | 116,916 | | (48,977) | | - | 67,939 | 5,563 | | |
| Net assets, beginning of year | | 651,168 | | 102,496 | | 11,302 | 764,966 | 759,403 | | |
| Net assets, end of year | \$ | 768,084 | \$ | 53,519 | \$ | 11,302 | \$ | 832,905 | \$ | 764,966 |

The accompanying notes to financial statements
are an integral part of these statements.

PREVENT BLINDNESS WISCONSIN, INC.

Milwaukee, Wisconsin

Statement of Functional Expenses

Year Ended March 31, 2017

With Summarized Information for the Year Ended March 31, 2016

| | <u>PROGRAM SERVICES</u> | | | <u>COSTS OF DIRECT BENEFITS TO DONORS</u> | <u>SUPPORTING SERVICES</u> | | <u>TOTALS</u> Years Ended March 31, | |
|---|--------------------------------|--|---------------------------|---|-------------------------------------|---------------------|--|-------------------|
| | <u>Public Health Education</u> | <u>Professional Education & Training</u> | <u>Community Services</u> | | <u>General & Administration</u> | <u>Fund-Raising</u> | <u>2017</u> | <u>2016</u> |
| Salaries | \$ 10,736 | \$ 18,628 | \$ 242,151 | \$ - | \$ 32,730 | \$ 37,100 | \$ 341,345 | 288,334 |
| Employee benefits | 2,083 | 3,615 | 46,989 | - | 6,351 | 7,199 | 66,237 | 30,803 |
| Payroll taxes | 790 | 1,371 | 17,822 | - | 2,409 | 2,731 | 25,123 | 22,948 |
| Total salaries and related expenses | 13,609 | 23,614 | 306,962 | - | 41,490 | 47,030 | 432,705 | 342,085 |
| Professional fees and outside services | 1,867 | 3,239 | 42,103 | - | 5,691 | 6,451 | 59,351 | 27,811 |
| Office supplies | 477 | 828 | 10,767 | - | 1,455 | 1,650 | 15,177 | 6,812 |
| Telephone | 212 | 369 | 4,791 | - | 648 | 734 | 6,754 | 5,852 |
| Postage and shipping | 131 | 227 | 2,955 | - | 399 | 453 | 4,165 | 4,880 |
| Building occupancy | 1,134 | 1,968 | 25,578 | - | 3,457 | 3,919 | 36,056 | 26,710 |
| Office equipment rental and maintenance | 150 | 259 | 3,372 | - | 456 | 517 | 4,754 | 3,210 |
| Printing and publications | 1,048 | 1,818 | 23,634 | - | 3,195 | 3,621 | 33,316 | 25,125 |
| Travel and meetings | 866 | 1,502 | 19,526 | - | 2,639 | 2,992 | 27,525 | 19,637 |
| Insurance | 186 | 323 | 4,195 | - | 567 | 643 | 5,914 | 4,500 |
| Public education | 62 | 108 | 1,407 | - | 190 | 216 | 1,983 | - |
| Depreciation | 1,773 | 310 | 3,953 | - | 133 | 222 | 6,391 | 4,814 |
| Other | 273 | 476 | 6,187 | - | 836 | 948 | 8,720 | 6,939 |
| Costs of direct benefits to donors | - | - | - | 64,064 | - | - | 64,064 | 39,878 |
| Total functional expenses | \$ 21,788 | \$ 35,041 | \$ 455,430 | \$ 64,064 | \$ 61,156 | \$ 69,396 | \$ 706,875 | \$ 518,253 |

The accompanying notes to financial statements are an integral part of these statements.

PREVENT BLINDNESS WISCONSIN, INC.
Milwaukee, Wisconsin

Statements of Cash Flows
Years Ended March 31, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| Cash Flows From Operating Activities: | | |
| Change in net assets | \$ 67,939 | \$ 5,563 |
| Adjustment to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 6,391 | 4,814 |
| Unrealized (gain) loss on investments | (14,919) | 9,406 |
| Loss on disposal of assets | 2,195 | - |
| Donated equipment | (14,000) | - |
| Changes in assets and liabilities: | | |
| Receivables | (302) | (20,049) |
| Pledges receivable | 57,325 | 78,435 |
| Publication inventory | (1,690) | 361 |
| Prepaid expense | (3,500) | (290) |
| Accounts payable and accrued expenses | (5,203) | (7,948) |
| Due to Prevent Blindness America | 5,672 | 15,071 |
| Deferred rent | 5,780 | - |
| Deferred revenue | (4,154) | 2,923 |
| Net cash provided by operating activities | 101,534 | 88,286 |
| Cash Flows From Investing Activities: | | |
| Purchases of investments | (4,999) | (7,423) |
| Proceeds from sale/maturity of investments | 36,869 | - |
| Purchases of property and equipment | (2,386) | (1,765) |
| Net cash provided (used) by investing activities | 29,484 | (9,188) |
| Net increase in cash and equivalents | 131,018 | 79,098 |
| Cash and equivalents, beginning of year | 397,872 | 318,774 |
| Cash and equivalents, end of year | \$ 528,890 | \$ 397,872 |

The accompanying notes to financial statements
are an integral part of these statements.

PREVENT BLINDNESS WISCONSIN, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
March 31, 2017 and 2016

1. Summary of Significant Accounting Policies

Nature of Activities

Prevent Blindness Wisconsin, Inc. (Organization) informs the general public about eye care, health and safety. As part of its services, the Organization provides adult and children vision screenings, eye health and safety seminars, public and professional education, and information/referral services. The Organization primarily serves the state of Wisconsin.

Basis of Accounting

The financial statements of Prevent Blindness Wisconsin, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows United States Generally Accepted Accounting Principles (U.S. GAAP). Under U.S. GAAP, the Organization is required to report information regarding the financial position and activities according to three classes of net assets, defined as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization

Cash and Equivalents

For purposes of the statements of cash flows, the Organization considers all demand deposits and time deposits with an original maturity of three months or less to be cash and equivalents.

Certificates of Deposit

Certificates of deposits totaling \$61,844 (\$98,311 at March 31, 2016) are presented in the accompanying financial statements. The certificates bear interest at 0.2% (0.2% at March 31, 2016) and have maturities of twelve months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Investments

Under U.S. GAAP, investments in marketable securities with readily determinable fair value and all investments in debt securities are valued at their fair value in the statement of financial position. Unrealized gains and losses are included in the change of net assets.

PREVENT BLINDNESS WISCONSIN, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
March 31, 2017 and 2016
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Investments (Continued)

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This clarifies that the exchange price is the price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. It emphasizes that fair value is a market-based measurement and not an entity-specific measurement. Adoption of this standard has not had a material impact on the Organization's financial statements. U.S. GAAP establishes a fair value hierarchy that prioritizes the inputs, which are summarized as follows:

Level 1 – Quoted prices in active markets, e.g. NYSE, NASDAQ, etc. for assets identical to the securities to be valued. If a Level 1 input is available, it must be used.

Level 2 – Inputs other than quoted prices that are observable for securities, either directly or indirectly. Examples include matrix pricing utilizing yield curves, prepayment speeds, credit risks, etc.; quoted prices for similar assets in active markets; and inputs derived from observable market data by correlation or other means.

Level 3 – Unobservable inputs, which contain assumptions by the party valuing those assets. For level 3 inputs, there is no market data or correlation with market assumptions. Examples would include limited partnership interests, closely held stock, etc.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at March 31, 2017 and 2016.

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Accounts Receivable

Accounts receivable are reported at contract value, less an estimate for uncollectible amounts based on past experience. The Organization uses the allowance method for providing for uncollectible accounts. No allowance was provided for at March 31, 2017 and 2016. No bad debt expense was incurred during the years ended March 31, 2017 and 2016.

Promises to Give

Unconditional promises to give are recognized as revenues in the period the pledge is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Inventories

Inventories, which consist primarily of brochures and publications, are valued at the lower of cost or market. Cost is determined on the first-in, first-out method.

PREVENT BLINDNESS WISCONSIN, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
March 31, 2017 and 2016
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Property and Equipment

The Organization capitalizes all expenditures in excess of \$2,000 for property and equipment at cost. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the assets' useful lives.

Expenditures for maintenance and repairs are charged against income as incurred. The cost and accumulated depreciation of property and equipment disposed of are removed from the accounts and the corresponding gains and losses are included in the statement of activities

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair value at the date of donation.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs such as adult and child vision screenings, eye health and safety seminars, public and professional education, and information/referral services. Volunteers also assist in special events activities, campaign solicitations, and various board and committee assignments. The Organization benefits from approximately 1,510 volunteer hours per year.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. In addition, it is the Organization's policy to report all support restricted to glaucoma prevention and treatment or child vision screenings as unrestricted support, since these activities are part of the Organization's recurring programs. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or 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.

PREVENT BLINDNESS WISCONSIN, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
March 31, 2017 and 2016
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). None of the Organization's current activities are subject to taxation as unrelated business income.

Under U.S. GAAP, management is required to evaluate any uncertain tax positions taken, if any, and provide additional disclosures. At this time, the Organization does not believe it has taken any uncertain tax positions that may have a material effect on its financial statements or note disclosures.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Use of Estimates

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

Subsequent Events

Management has evaluated all subsequent events through June 20, 2017 for possible inclusion as a disclosure in the financial statements. There were no subsequent events that required recognition or disclosure.

2. Concentration of Credit Risk

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances. As of March 31, 2017, the amount of insurance coverage was \$250,000 per depositor at each financial institution.

PREVENT BLINDNESS WISCONSIN, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
March 31, 2017 and 2016
(Continued)

3. Investments

The following summarizes the classification of investments by classification and method of valuation in accordance with U.S. GAAP as of March 31, 2017:

| <u>Description</u> | <u>3/31/17</u> | <u>Fair Value Measurement at Reporting Date Using</u> | | |
|--------------------------|----------------|---|----------------|----------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Mutual funds: | | | | |
| Moderate growth - equity | \$ 216,031 | \$ 216,031 | \$ - | \$ - |

The statement of activities includes \$14,919 in unrealized gains for 2017.

The following summarizes the classification of investments by classification and method of valuation in accordance with U.S. GAAP as of March 31, 2016:

| <u>Description</u> | <u>3/31/16</u> | <u>Fair Value Measurement at Reporting Date Using</u> | | |
|--------------------------|----------------|---|----------------|----------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Mutual funds: | | | | |
| Moderate growth - equity | \$ 196,514 | \$ 196,514 | \$ - | \$ - |

The statement of activities includes \$9,406 in unrealized losses for 2016.

4. Property and Equipment

At March 31, 2017 and 2016, the recorded value of property and equipment was as follows:

| | <u>Year Ended March 31,</u> | |
|-------------------------------|-----------------------------|------------------|
| | <u>2017</u> | <u>2016</u> |
| Equipment | \$ 42,492 | \$ 69,414 |
| Less accumulated depreciation | (20,932) | (55,653) |
| Total | \$ 21,560 | \$ 13,761 |

Depreciation expense amounted to \$6,391 and \$4,814 for the years ended March 31, 2017 and 2016, respectively.

During the year ended March 31, 2017, the Organization received donated office furniture with an estimated fair market value of \$14,000.

PREVENT BLINDNESS WISCONSIN, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
March 31, 2017 and 2016
(Continued)

5. Pledges Receivable

Included in pledges receivable are the following unconditional promises to give at March 31, 2017:

| | |
|-------------------|-----------------|
| Pledge receivable | \$ <u>1,250</u> |
|-------------------|-----------------|

At March 31, 2017, all pledges receivable are expected to be collected during the next year. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at March 31, 2017.

6. Designated Net Assets

Designations are voluntary Board approved segregations of unrestricted net assets for specific purposes, projects or investments. The governing Board may approve designations as an aid in planning future expenditures. Designations may be reversed by the governing Board at any time and, accordingly, designated portions of net assets are not considered restricted. Designations are reported as classifications of unrestricted net assets on the statements of financial position. At March 31, 2017 and 2016, the Organization's Board had approved the following designations:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|-------------------|-------------------|
| Investment or special purpose | \$ <u>167,875</u> | \$ <u>167,875</u> |

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

| | <u>2017</u> | <u>2016</u> |
|---|------------------|-------------------|
| Star Pupils Program | \$ 28,485 | \$ 1,036 |
| Doolittle – Network Server | 5,999 | - |
| Head Start Program – Dane County | 6,333 | - |
| Head Start Program – Racine Area | 7,329 | 16,587 |
| Head Start Program – Green Bay Area | 4,123 | - |
| Birnschein – Guidebooks, Vision Screeners, Projectors | - | 5,300 |
| Community Volunteer Engagement Program | - | 15,998 |
| Board Development Project | - | 5,000 |
| Pledges receivable | <u>1,250</u> | <u>58,575</u> |
| Total | <u>\$ 53,519</u> | <u>\$ 102,496</u> |

PREVENT BLINDNESS WISCONSIN, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
March 31, 2017 and 2016
(Continued)

8. Permanently Restricted Net Assets

Endowment

Permanently restricted net assets consist of endowment fund assets held in a money market account at a Wisconsin area financial institution. Income from the funds can be used to support the Organization's general activities and amounted to \$27 and \$30 in 2017 and 2016, respectively.

As required by U.S. GAAP, 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 restrictions.

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

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

Endowment Net Assets by Type of Fund as of March 31, 2017 and March 31, 2016 are as follows:

| | <u>Permanently Restricted</u> | <u>Total Endowment</u> |
|--|--|-----------------------------------|
| Permanently Restricted Endowment Fund (Money Market) | \$ 11,302 | \$ 11,302 |

There were no changes in Endowment Net Assets as of March 31, 2017 and March 31, 2016.

PREVENT BLINDNESS WISCONSIN, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
March 31, 2017 and 2016
(Continued)

9. Affiliation Agreement

The Organization has entered into an affiliation agreement with Prevent Blindness (National). Under the terms of the affiliation agreement, the Organization agrees to comply with the national/affiliate support formula as may, from time to time, be prescribed by National's Board of Directors.

Affiliate support of National is provided through the affiliation fee. The fee is a percentage of prior year traditional income. Traditional income includes all revenue elements except those that are excluded under Section 3; Section 3 exclusions include legacies and bequests, special events direct expenses, endowments and funds permanently restricted by donor, donor restricted capital campaign gifts, purchase of Prevent Blindness educational materials, investment income, gifts in kind, Prevent Blindness sub-recipient grants, and other various items. The sharing policy for traditional income is 10%.

The sharing policy for unrestricted legacies, inter-vivos trusts, and testamentary trusts shall be as follows:

- A. All unrestricted income from legacies, inter-vivos trusts and testamentary trusts received from affiliate territory after January 1, 1996, from wills or codicils dated January 1, 1996, and after are shared 67% to the affiliate and 33% to the national organization after deducting the first 3% to fund the nationwide planned giving program.
- B. All unrestricted income from legacies, inter-vivos trusts and testamentary trusts which come from unaffiliated areas and which do not name an existing affiliate as beneficiary belong solely to the national organization, but the first 3% of each such gift will be used to fund the nationwide planned giving program.
- C. All unrestricted income received after January 1, 1996, from wills or codicils dated prior to January 1, 1996, is shared in accordance with the prior legacy sharing formula after deducting the first 3% to fund the nationwide planned giving program.
- D. The prior legacy sharing formula provided for a 75%-25% sharing relationship with the recipient named in the unrestricted will or trust receiving 75% of the proceeds and the other party receiving 25% of the proceeds. If the will or trust is unclear as to the intended recipient, the proceeds are divided on a 50%-50% basis.

The total support provided to National for the years ended March 31, 2017 and 2016 is summarized below:

| | <u>2017</u> | | <u>2016</u> |
|---|------------------|-----------|---------------|
| Affiliation fee - At rate of 10% in 2017 and 2016 | \$ 55,116 | \$ | 67,932 |
| Legacy sharing (Payable at March 31, 2017) | 20,743 | | - |
| Total support to National | <u>\$ 75,859</u> | \$ | <u>67,932</u> |

10. Pension Plan

403(b) Retirement Plan

The Organization participates in a defined contribution retirement plan sponsored by National covering all eligible employees who join. Regular employees who work at least 20 hours per week and are at least 18 years of age are eligible to participate on their second anniversary of employment. Employees who join must contribute 5% of their salary per pay period to the plan to receive the match. The Organization will then contribute 7% of the employee's salary. All contributions are fully vested. Total employer contributions under the plan for the years ended March 31, 2017 and 2016 were \$5,551 and \$10,609, respectively.

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11. Prior-Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended March 31, 2016, from which the summarized information was derived.

12. Lease Commitments

Operating Leases

From April 2016 through December 2016, the Organization conducted its operations from an office location under the terms of an operating lease agreement. The base rent payments were \$1,752 per month under this lease. The organization will continue leasing the office space until the lease terminates in June 2017.

During the year ended March 31, 2017, the Organization signed a 125-month lease for office space at a new location. This lease commenced on January 1, 2017 and will expire on May 31, 2027. The rent payments are \$1,893 per month from July 2017 to May 2018 and \$1,930 to \$2,261 per month for the remainder of the lease term. The Organization received three months of free rent during the year ended March 31, 2017 in accordance with the lease agreement. As a result of this, deferred rent expense in the amount of \$5,780 has been accrued for the free rent. The Organization will also receive free rent for the following months:

Free Rent

April 2017
May 2017
June 2017
June 2018
June 2019
June 2020

Occupancy expenses for the years ended March 31, 2017 and 2016 were:

| | <u>2017</u> | <u>2016</u> |
|---|-------------------------|-------------------------|
| Base rental (Old office location) | \$ 21,013 | \$ 20,716 |
| Parking, storage and additional rent | 9,263 | 5,994 |
| Deferred rent expense (New office location) | 5,780 | - |
| Total | <u>\$ 36,056</u> | <u>\$ 26,710</u> |

The Organization also leases a mail machine, phone system, and copier machine under operating leases. Total lease expense amounted to \$3,279 and \$2,612 for the years ending March 31, 2017 and 2016, respectively.

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12. Lease Commitments (continued)

Operating Leases (continued)

The future minimum required payments, under the terms of the above non-cancelable leases, are as follows:

| Year Ending March 31, | Amount |
|----------------------------------|--------------------------|
| 2018 | \$ 27,833 |
| 2019 | 26,699 |
| 2020 | 24,549 |
| 2021 | 22,010 |
| 2022 | 24,501 |
| 2023 - 2028 | 134,555 |
| Total | \$ <u>260,147</u> |

13. Reclassifications

Certain reclassifications have been made to the March 31, 2016 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.