

**Georgia Lions Lighthouse
Foundation, Inc.**

Financial Statements

June 30, 2017 and 2016

Georgia Lions Lighthouse Foundation, Inc.

Table of Contents June 30, 2017 and 2016

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3-4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7-8
Notes to Financial Statements	9-18



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Georgia Lions Lighthouse Foundation, Inc.

We have audited the accompanying financial statements of **Georgia Lions Lighthouse Foundation, Inc.** (the Organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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. 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits 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 our 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, we consider internal control relevant to the Organization'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 Organization'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 Georgia Lions Lighthouse Foundation, Inc. as of June 30, 2017 and 2016, and the results of its activities and changes in net assets, functional expenses, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Windham Brannon, P.C.

November 15, 2017

Certified Public Accountants

Georgia Lions Lighthouse Foundation, Inc.

Statements of Financial Position June 30, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 376,056	\$ 199,795
Accounts receivable, net	62,275	56,367
Prepaid expenses	16,675	5,767
Receivable from beneficial interest in a remainder trust	70,849	-
Inventory	649,303	157,382
Total current assets	1,175,158	419,311
Property and equipment, net	2,001,589	2,136,577
Beneficial interest in perpetual trust, at fair value	11,741,036	11,075,079
Investments, at fair value	7,155,574	6,958,308
Other assets	6,531	5,454
Total assets	\$ 22,079,888	\$ 20,594,729
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 260,528	\$ 182,319
Accrued expenses	49,763	81,723
Deferred grant revenue	49,500	49,500
Total liabilities	359,791	313,542
Net assets		
Unrestricted	9,603,741	8,844,398
Temporarily restricted	16,617	73,856
Permanently restricted	12,099,739	11,362,933
Total net assets	21,720,097	20,281,187
Total liabilities and net assets	\$ 22,079,888	\$ 20,594,729

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

Georgia Lions Lighthouse Foundation, Inc.

Statements of Activities and Changes in Net Assets For the Year Ended June 30, 2017 (with summarized financial information for the year ended 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total June 30, 2017	Total June 30, 2016
Public support and revenue					
Public support					
In-kind donations	\$ 5,678,935	\$ -	\$ -	\$ 5,678,935	\$ 6,590,133
Grant and foundation revenue	109,700	16,617	-	126,317	263,416
Private contributions	1,350,234	-	-	1,350,234	506,254
Special events	3,919	-	-	3,919	93,145
Lions club contributions and initiatives	112,468	-	-	112,468	87,768
White Cane contributions	59,387	-	-	59,387	59,356
Net assets released from restriction	73,856	(73,856)	-	-	-
Total public support	7,388,499	(57,239)	-	7,331,260	7,600,072
Revenue					
Hearing services	1,075,062	-	-	1,075,062	1,102,991
Sight services	127,221	-	-	127,221	116,598
Recycling	11,425	-	-	11,425	3,234
Investment income	510,662	-	-	510,662	531,347
Miscellaneous	(145)	-	-	(145)	(162)
Change in value of beneficial interest in a remainder trust	-	-	70,849	70,849	(2,970)
Change in value of beneficial interest in perpetual trust	-	-	665,957	665,957	(783,610)
Total revenue	1,724,225	-	736,806	2,461,031	967,428
Total public support and revenue	9,112,724	(57,239)	736,806	9,792,291	8,567,500
Expenses					
Program services					
Sight services	3,027,656	-	-	3,027,656	3,269,891
Hearing services	4,618,241	-	-	4,618,241	6,073,600
Total program services	7,645,897	-	-	7,645,897	9,343,491
Supporting services					
Management and general	333,410	-	-	333,410	302,569
Fundraising	374,074	-	-	374,074	429,963
Total supporting services	707,484	-	-	707,484	732,532
Total expenses	8,353,381	-	-	8,353,381	10,076,023
Change in net assets	759,343	(57,239)	736,806	1,438,910	(1,508,523)
Net assets, beginning of year	8,844,398	73,856	11,362,933	20,281,187	21,789,710
Net assets, end of year	\$ 9,603,741	\$ 16,617	\$ 12,099,739	\$ 21,720,097	\$ 20,281,187

Georgia Lions Lighthouse Foundation, Inc.

Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue				
Public support				
In-kind donations	\$ 6,590,133	\$ -	\$ -	\$ 6,590,133
Grant and foundation revenue	189,560	73,856	-	263,416
Private contributions	506,254	-	-	506,254
Special events	93,145	-	-	93,145
Lions club contributions and initiatives	87,768	-	-	87,768
White Cane contributions	59,356	-	-	59,356
Net assets released from restriction	283,532	(118,802)	(164,730)	-
Total public support	7,809,748	(44,946)	(164,730)	7,600,072
Revenue				
Hearing services	1,102,991	-	-	1,102,991
Sight services	116,598	-	-	116,598
Recycling	3,232	-	-	3,232
Investment income	531,347	-	-	531,347
Miscellaneous	(160)	-	-	(160)
Change in value of beneficial interest in a remainder trust	-	-	(2,970)	(2,970)
Change in value of beneficial interest in perpetual trust	-	-	(783,610)	(783,610)
Total revenue	1,754,008	-	(786,580)	967,428
Total public support and revenue	9,563,756	(44,946)	(951,310)	8,567,500
Expenses				
Program services				
Sight services	3,269,891	-	-	3,269,891
Hearing services	6,073,600	-	-	6,073,600
Total program services	9,343,491	-	-	9,343,491
Supporting services				
Management and general	302,569	-	-	302,569
Fundraising	429,963	-	-	429,963
Total supporting services	732,532	-	-	732,532
Total expenses	10,076,023	-	-	10,076,023
Change in net assets	(512,267)	(44,946)	(951,310)	(1,508,523)
Net assets, beginning of year	9,356,665	118,802	12,314,243	21,789,710
Net assets, end of year	\$ 8,844,398	\$ 73,856	\$ 11,362,933	\$ 20,281,187

Georgia Lions Lighthouse Foundation, Inc.

Statement of Functional Expenses For the Year Ended June 30, 2017

	Program Services			Supporting Services		Total
	Sight Services	Hearing Services	Total Program Services	Management and General	Fundraising	
Contributed services	1,256,595	3,536,738	4,793,333	-	(18)	4,793,315
Salaries and Wages	751,308	160,202	911,510	136,608	162,156	1,210,274
Hearing aids and molds	-	572,545	572,545	-	-	572,545
Contributed glasses	387,860	-	387,860	-	-	387,860
Hearing service providers	\$ -	\$ 240,781	\$ 240,781	\$ -	\$ -	\$ 240,781
Benefits	89,755	26,367	116,122	23,189	33,995	173,306
Surgery providers	153,050	-	153,050	-	-	153,050
Depreciation	72,351	24,117	96,468	24,117	24,116	144,701
Professional Fees	2,478	620	3,098	18,718	76,397	98,213
Payroll Taxes	58,982	12,577	71,559	10,724	12,730	95,013
Building maintenance and repairs	37,420	12,473	49,893	12,473	12,473	74,839
Optical costs	73,227	-	73,227	-	-	73,227
Investment advisory fees	-	-	-	59,902	-	59,902
Technology costs	26,308	6,577	32,885	4,385	6,577	43,847
Printing and postage	21,400	5,976	27,376	2,175	9,372	38,923
Insurance	17,707	2,977	20,684	11,171	2,977	34,832
Utilities	14,175	4,725	18,900	4,725	4,725	28,350
Office expense	9,862	2,465	12,327	1,644	2,465	16,436
Mobile Eye Clinic Travel	16,355	-	16,355	-	-	16,355
Theft losses	-	-	-	10,234	1,040	11,274
Bank and merchant fees	2,319	6,582	8,901	1,231	174	10,306
Telephone	5,453	1,363	6,816	909	1,363	9,088
Travel	4,125	44	4,169	1,284	3,570	9,023
Marketing and development	-	-	-	505	8,309	8,814
Special Events	-	-	-	-	8,355	8,355
Auto expenses	7,198	-	7,198	800	-	7,998
Meetings and seminars	1,867	162	2,029	4,101	1,748	7,878
Vision Supplies and Equipment Repairs	7,749	-	7,749	-	-	7,749
Dues and subscriptions	2,583	950	3,533	3,389	500	7,422
Staff recruitment and development	3,100	-	3,100	808	956	4,864
Volunteer appreciation	4,320	-	4,320	318	94	4,732
Recycling direct costs	109	-	109	-	-	109
Temporary staffing	-	-	-	-	-	-
Total Expenses	\$ 3,027,656	\$ 4,618,241	\$ 7,645,897	\$ 333,410	\$ 374,074	\$ 8,353,381

Georgia Lions Lighthouse Foundation, Inc.

Statement of Functional Expenses For the Year Ended June 30, 2016

	Program Services			Supporting Services		Total
	Sight Services	Hearing Services	Total Program Services	Management and General	Fundraising	
Contributed services	1,382,564	4,810,419	6,192,983	-	1,000	6,193,983
Salaries and Wages	714,285	162,663	876,948	112,925	183,338	1,173,211
Hearing aids and molds	-	736,947	736,947	-	-	736,947
Contributed glasses	288,390	-	288,390	-	-	288,390
Hearing service providers	\$ -	\$ 253,646	\$ 253,646	\$ -	\$ -	\$ 253,646
Surgery providers	179,946	-	179,946	-	-	179,946
Depreciation	99,713	38,872	138,585	19,380	19,436	177,401
Benefits	95,765	21,809	117,574	15,140	24,581	157,295
Optical costs	126,292	-	126,292	-	-	126,292
Special Events	-	-	-	-	124,799	124,799
Payroll Taxes	57,831	13,170	71,001	9,143	14,843	94,987
Building maintenance and repairs	40,655	10,674	51,329	9,487	10,067	70,883
Investment advisory fees	-	-	-	61,522	-	61,522
Travel	43,863	91	43,954	5,165	1,390	50,509
Technology costs	35,860	5,977	41,837	3,704	3,984	49,525
Printing and postage	23,352	4,502	27,854	1,395	13,853	43,102
Insurance	20,525	2,424	22,949	9,382	2,652	34,983
Utilities	13,943	4,648	18,591	4,648	4,648	27,887
Professional Fees	3,365	682	4,047	21,890	768	26,705
Theft losses	-	-	-	24,030	159	24,189
Mobile Eye Clinic Travel	21,509	-	21,509	-	-	21,509
Office expense	18,105	-	18,105	2,686	191	20,982
Vision Supplies and Equipment Repairs	19,936	-	19,936	-	-	19,936
Auto expenses	13,592	-	13,592	2,953	-	16,545
Temporary staffing	-	-	-	500	15,811	16,311
Meetings and seminars	6,290	-	6,290	7,222	280	13,792
Marketing and development	5,197	203	5,400	2,721	5,058	13,179
Staff recruitment and development	12,741	42	12,783	37	248	13,068
Dues and subscriptions	8,946	450	9,396	3,133	518	13,047
Bank and merchant fees	2,987	5,131	8,118	2,344	841	11,303
Telephone	7,502	1,250	8,752	789	834	10,375
Volunteer appreciation	8,639	-	8,639	454	664	9,757
Recycling direct costs	17	-	17	-	-	17
Total Expenses	\$ 3,251,810	\$ 6,073,600	\$ 9,325,410	\$ 320,650	\$ 429,963	\$ 10,076,023

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

Georgia Lions Lighthouse Foundation, Inc.

Statements of Cash Flows For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Cash received from donors	\$ 1,538,561	\$ 891,963
Cash received from services	1,207,800	1,171,816
Net appreciation on investments	1,176,619	247,681
Cash received from grantors	109,700	189,560
Cash received from fundraising and other	(933,542)	93,129
Cash paid to vendors	(1,469,641)	(1,481,928)
Cash paid to employees	(1,517,761)	(1,831,969)
Net cash provided by (used in) operating activities	111,736	(719,748)
Cash flows from investing activities		
Purchase of property and equipment	(9,713)	(177,084)
Proceeds from sale of property and equipment	-	1,750
Purchase of investments	(2,576,933)	(2,423,056)
Proceeds from sale of investments	2,651,171	2,936,135
Net cash provided by (used in) investing activities	64,525	337,745
Net change in cash and cash equivalents	176,261	(382,003)
Cash and cash equivalents		
Beginning of year	199,795	581,798
End of year	\$ 376,056	\$ 199,795

Georgia Lions Lighthouse Foundation, Inc.

Statements of Cash Flows For the Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of the change in net assets to net cash provided by operating activities		
Change in net assets	\$ 1,438,910	\$ (1,508,523)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	144,701	177,401
In-kind donations of inventory	(497,760)	(107,760)
Gain on sale of property and equipment	-	(249)
Net appreciation on investments	(271,504)	(283,713)
Beneficial interest in perpetual trust	(665,957)	783,610
Changes in assets and liabilities:		
Accounts receivable, net	(5,908)	(34,807)
Inventory	5,839	2,727
Prepaid expenses	(10,908)	25,099
Other assets	(1,077)	432
Receivable from beneficial interest in a remainder trust	(70,849)	167,700
Accounts payable and accrued expenses	46,249	74,535
Deferred grant revenues	-	(16,200)
Net cash provided by (used in) operating activities	111,736	(719,748)

Georgia Lions Lighthouse Foundation, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

1. Nature of Organization and Summary of Significant Accounting Policies

Georgia Lions Lighthouse Foundation, Inc. (the Lighthouse) is a 501(c)(3) not-for-profit organization dedicated to providing comprehensive vision and hearing services for Georgians in financial need. The Lighthouse provides essential vision and hearing care, from screenings in school aged children and education to complex vision surgeries and digital hearing aids, allowing Georgians of all ages to live healthier and more productive lives. Through collaborative partnerships with over 300 healthcare professionals, the Lighthouse enables greater independence and increased quality of life for Georgians in financial need. The Lighthouse also provides gently used prescription eyeglasses to our neighbors in need throughout the world.

Basis of Accounting

The financial statements of the Lighthouse have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP). Under this basis, revenues are recognized when earned and expenses are recognized when incurred, whether or not cash is received or paid out.

GAAP requires a not-for-profit organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of these net asset categories is as follows:

- Unrestricted — Net assets that are not subject to donor-imposed stipulations.
- Unrestricted board designated net assets – Net assets not subject to donor-imposed stipulations but subject to purpose and time restrictions by virtue of being subject to board approval.
- Temporarily restricted — Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Lighthouse pursuant to those stipulations or that expire by the passage of time.
- Permanently restricted — Net assets subject to donor-imposed stipulations that they be maintained permanently by the Lighthouse.

Use of Estimates

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

Georgia Lions Lighthouse Foundation, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

Cash and Cash Equivalents

The Lighthouse considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash held in checking and money market accounts. Cash balances are maintained with financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC). From time to time, balances may exceed FDIC insured limits. Management does not feel that the Lighthouse is exposed to any significant credit risk on these accounts.

Accounts Receivable

Accounts receivable consists primarily of payments due for frame kit purchases, hearing services and from contributions in transit. Management evaluates accounts receivable based on status of existing receivables and historical collection trends to determine the allowance for losses. As of June 30, 2017 and 2016, management believes that all outstanding receivables are collectible; therefore, no allowance for doubtful accounts has been recorded.

Property and Equipment

Property and equipment is recorded at cost or at fair market value at the date of gift, if donated. Depreciation is recognized based on the straight-line method over the estimated useful lives ranging from 15 to 40 years for buildings and improvements and 3 to 5 years for furniture, equipment, and vehicles.

Beneficial Interest in a Perpetual Trust

The Lighthouse is named as the beneficiary in a perpetual trust held by a third party. Perpetual trusts are initially recorded as permanently restricted public support (bequest or contribution revenue, depending on the initial source of the gift) at fair value, based on the Lighthouse's interest in the fair value of the underlying trust assets at the time of the gift. Subsequent changes to the trust's fair value are reported as permanently restricted net unrealized gains or losses on perpetual trusts and are included in investment income on the Statement of Activities and Changes in Net Assets. Income received from the trust does not contain donor-specific restrictions and is reported as unrestricted investment income.

Under the terms of the trust, the Lighthouse has an irrevocable right to receive a portion of the income earned in perpetuity on the trust assets. Distributions from the trust are based on the terms of the underlying trust agreement that generally require that investment income be distributed no less than on a semi-annual basis. The trust is invested in cash equivalents, municipal bonds, preferred securities, common stock, mutual funds, real estate trusts and funds and real property. The Lighthouse's beneficial interest in the perpetual trust, at fair value totaled \$11,741,036 and \$11,075,079 at June 30, 2017 and 2016, respectively.

Georgia Lions Lighthouse Foundation, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

Beneficial Interest in a Remainder Trust

In 1999, a donor established a charitable remainder unitrust with a third party trustee. The charitable remainder unitrust provides for distributions to designated beneficiaries over the life of the unitrust. Upon the death of the donor, the remaining unitrust assets will be distributed to the designated beneficiaries. The Lighthouse was named 1/6th beneficiary in this unitrust upon formation but had been unable to obtain necessary information to measure the interest until the year ended June 30, 2015. The fair value of the unitrust is valued at the present value of future benefits to be received. In December 2015, the unitrust was liquidated and the Lighthouse was the recipient of their proportional share equal to \$164,730, which is shown as a release from permanently restricted net assets.

In 1993, a donor established a charitable remainder unitrust with a third party trustee. The charitable remainder unitrust provides for distributions to designated beneficiaries over the life of the unitrust. Upon the death of the donor, the remaining unitrust assets will be distributed to the designated beneficiaries. The Lighthouse was a residuary beneficiary in this unitrust upon formation but had been unable to obtain necessary information to measure the interest until the year ended June 30, 2017. The fair value of the unitrust is valued at the present value of future benefits to be received. In April 2017, the unitrust was liquidated and the Lighthouse was entitled to their proportionate share of \$70,849 which was received in August 2017.

Investments

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchase and sales of securities are recorded on a trade-date basis. See Note 3 for a discussion of fair value measurements.

Inventory

Inventory consists of eyeglass frames and lenses and are valued at the lower of cost or market using the first-in-first out method. Donated inventory is recorded at its estimated fair value.

Contributions, Promises to Give and Donated Services

Contributions received, including unconditional promises to give, are recognized as revenues in the period received at their estimated fair value less an appropriate allowance for uncollectible amounts. Conditional promises to give are recognized when the conditions are substantially met.

Revenue from grants is recognized as services stated in the grant agreement are provided and is included as a separate line item in the statement of activities. Amounts received but not recognized, because service has not been provided, are deferred and included in the statement of financial position as deferred revenue.

Georgia Lions Lighthouse Foundation, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

Donated Services

Contributed and discounted services are recorded by the Lighthouse when these services create or enhance financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses

Expenses in the statement of activities have been reported by the functional classifications, major classes of program services and supporting activities. Program services are the activities that result in goods and services distributions to beneficiaries, members or visitors, and which fulfill the purposes or mission for which the Lighthouse exists. Supporting programs are all the other activities of the Lighthouse other than program services.

Income Taxes

The Lighthouse is exempt from income taxation under Internal Revenue Code Section 501(c)(3). Management believes the Lighthouse met the requirements to maintain their tax-exempt status; therefore, no provision for income taxes on exempt purposes has been provided in these financial statements. Income not related to tax exempt purposes is subject to income taxes. Management does not believe the Lighthouse has any unrelated business income tax liability.

As of and for the years ended June 30, 2017 and 2016, the Lighthouse did not identify any uncertain tax positions that require adjustment to or disclosure in the accompanying financial statements. The Lighthouse's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the current year presentation. The effects of the reclassifications are not considered material to the financial statements as a whole.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through November 15, 2017, which is the date the financial statements were available to be issued.

Georgia Lions Lighthouse Foundation, Inc.

Notes to Financial Statements June 30, 2017 and 2016

2. Property and Equipment

Property and equipment consisted of the following at June 30, 2017 and 2016:

	2017	2016
Building	\$ 1,767,066	\$ 1,757,353
Furniture, fixtures, and equipment	792,109	792,109
Automobiles	125,373	125,373
Land	401,870	401,870
	3,086,418	3,076,705
Less accumulated depreciation	(1,084,829)	(940,128)
Total property and equipment, net	\$ 2,001,589	\$ 2,136,577

Depreciation expense for the years ended June 30, 2017 and 2016 totaled \$144,701 and \$177,401, respectively.

3. Fair Value Measurements

The Financial Accounting Standards Board established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities, and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are described as follows:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets that the Lighthouse has the ability to access

Level 2 – other observable data, including quoted prices for similar assets in inactive markets

Level 3 – unobservable inputs

Observable inputs are those based on market data obtained from sources independent of the Lighthouse, and unobservable inputs reflect the Lighthouse's own assumptions based on the best information available. The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

Investments consist primarily of equity investments and mutual funds, which are valued at quoted market prices for the identical security in an active market (Level 1). Corporate bonds, U.S. government securities, and municipal bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings (Level 2).

Georgia Lions Lighthouse Foundation, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

The Lighthouse considers the measurement of its beneficial interest in the trust to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the fair values of the assets of the trust reported by the trustee, the Lighthouse will never receive those assets of the trust or have the ability to direct the trustee to redeem them.

The following table sets forth the fair value hierarchy as of June 30, 2017 and 2016:

	2017			
	Level 1	Level 2	Level 3	Total
Equity Investments	\$ 4,793,032	\$ -	\$ -	\$ 4,793,032
Corporate Bonds	-	1,777,189	-	1,777,189
Municipal Bonds	-	254,603	-	254,603
U.S. Government Securities	-	200,928	-	200,928
Mutual Funds/CEF/UIT	129,822	-	-	129,822
Total investments	4,922,854	2,232,720	-	7,155,574
Beneficial interest in a perpetual trust	-	-	11,741,036	11,741,036
Total assets at fair value	\$ 4,922,854	\$ 2,232,720	\$ 11,741,036	\$ 18,896,610

	2016			
	Level 1	Level 2	Level 3	Total
Equity Investments	\$ 4,710,079	\$ -	\$ -	\$ 4,710,079
Corporate Bonds	-	1,641,425	-	1,641,425
Municipal Bonds	-	262,963	-	262,963
U.S. Government Securities	-	204,724	-	204,724
Mutual Funds/CEF/UIT	139,117	-	-	139,117
Total investments	4,849,196	2,109,112	-	6,958,308
Beneficial interest in a perpetual trust	-	-	11,075,079	11,075,079
Total assets at fair value	\$ 4,849,196	\$ 2,109,112	\$ 11,075,079	\$ 18,033,387

Georgia Lions Lighthouse Foundation, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

The following table summarizes the changes in fair values associated with Level 3 assets:

	2017		2016	
	Beneficial interest in perpetual trust	Beneficial interest in remainder trust	Beneficial interest in perpetual trust	Beneficial interest in remainder trust
Additions	\$ -	70,849	\$ -	\$ -
Investment income	521,229	-	434,772	-
Unrealized and realized gains (losses) on investments	626,484	-	(696,533)	(2,970)
Total revenue	1,147,713	70,849	(261,761)	(2,970)
Trust expenses	90,550	-	93,295	-
Distributions	391,206	-	428,554	164,730
Total expenses	481,756	-	521,849	164,730
Change in net assets	665,957	70,849	(783,610)	(167,700)
Trust net assets, beginning of year	11,075,079	-	11,858,689	167,700
Trust net assets, end of year	\$ 11,741,036	\$ 70,849	\$ 11,075,079	\$ -

Investment income consisted of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Interest and dividends	\$ 239,158	\$ 247,634
Unrealized gains (losses)	52,097	129,627
Realized gains	219,407	154,086
	\$ 510,662	\$ 531,347

4. Retirement Plan

The Lighthouse offers a Section 403(b) tax deferred retirement plan to regular full-time employees over the age of 21. After one year of continuous employment, the Lighthouse will match 50% of eligible employee contributions up to 6%. During fiscal year 2017, the Lighthouse modified the plan documents to begin matching 100% of eligible employee contributions up to 6%. The retirement plan matching expense for the years ended June 30, 2017 and 2016 was \$20,050 and \$5,885, respectively.

Georgia Lions Lighthouse Foundation, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

5. Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2017 and 2016:

	2017	2016
Clinics and Recycling Center	\$ -	\$ 73,856
Lab Equipment	16,617	-
	\$ 16,617	\$ 73,856

Permanently restricted net assets are available for the following purposes as of June 30, 2017 and 2016:

	2017	2016
Virginia and Matt Reese Trust for the purpose of the Lighthouse Charter	\$ 11,741,036	\$ 11,075,079
Ten Million Dollar Club endowment to underwrite administrative expenditures	287,854	287,854
Raymond Lloyd Trust of the Lighthouse Charter	70,849	-
	\$ 12,099,739	\$ 11,362,933

6. Net Assets Released From Restrictions

During the years ended June 30, 2017 and 2016, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows:

	2017	2016
Clinics and Recycling Center	\$ 73,856	\$ 74,275
Surgery	-	44,527
	\$ 73,856	\$ 118,802

Georgia Lions Lighthouse Foundation, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

7. Endowment

Interpretation of Relevant Law

In approving endowment, spending and related policies, as part of the prudent and diligent discharge of its duties, the Board of Directors of the Lighthouse, as authorized by the UPMIFA, has relied upon the actions, reports, information, advice and counsel taken or provided by its duly constituted committees and the duly appointed officers of the Lighthouse and in doing so has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor directions to the contrary.

As a result of this interpretation, for accounting and financial statement purposes, the Lighthouse classifies as permanently restricted net assets the historic dollar value of assets held as donor-restricted endowment, including any subsequent gifts and any accumulations to donor-restricted endowments made in accordance with the direction of the applicable gift instruments.

The portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified for accounting and financial statement purposes in accordance with requirements of the Financial Accounting Standards Board and the law.

Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Lighthouse to retain as a fund of perpetual duration. The Lighthouse did not have any deficiencies of this nature as of June 30, 2017 and 2016.

Return Objectives and Risk Parameters

The Lighthouse has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the historic dollar value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Lighthouse must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of benchmark indexes of similar assets classes while assuming a moderate level of investment risk. The following are benchmark Indexes: Upper Blended Benchmark, the S&P 500 Index, Barclays Aggregate Bond Index, the Upper Intermediate Investment Grade, and the 90-Day T Bill Rate.

Georgia Lions Lighthouse Foundation, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Lighthouse relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Lighthouse targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

8. Contributed Services and Materials

Professional services and materials recognized as contributed services and materials for the years ended June 30, 2017 and 2016 are as follows:

	2017	2016
Hearing revenue	\$ 3,536,738	\$ 4,810,419
Sight surgery services revenue	734,070	763,884
Contributed frames and distributed glasses	1,383,620	981,830
Other specialized service revenue	24,507	34,000
	\$ 5,678,935	\$ 6,590,133

9. Bequests

The Lighthouse is identified as a beneficiary of two separate trusts. The trusts were created through the orders of last wills and testaments executed in September 1982 (Lawrence Trust) and January 1992 (Whitehurst Trust). The proportional share of these two separate trusts is unknown as of June 30, 2017 and 2016.

10. Related Party Activity

The Lighthouse has retained legal counsel to assist them in a dispute with the trustee of the Virginia and Matt Reese Trust regarding the trustee's interpretation and treatment of the type of investment income which should be distributed from the trust. The daughter of the Lighthouse's former Executive Director is employed by the retained legal counsel. The Lighthouse is not required to pay and has not paid any legal fees to their legal counsel for the years ended June 30, 2017 and 2016, respectively. The Lighthouse has agreed to pay their legal counsel an agreed upon percentage of any settlement amount received upon the successful settlement of the legal dispute.

Theft losses are expenses that were either not supported by original receipts or were unauthorized. Amounts have been reclassified and are shown on the statements of functional expenses as of June 30, 2017 and 2016.