Retina Foundation of the Southwest

Financial Report

December 31, 2021
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</tbody>
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Independent Auditor’s Report

To the Board of Directors
Retina Foundation of the Southwest

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Retina Foundation of the Southwest (the Foundation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects on the accompanying 2021 financial statements of not consolidating the financial statements of the Foundation with those of RFSW Endowment, Inc. (the Endowment), as discussed in the Basis for Qualified Opinion on the 2021 Financial Statements section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on the 2021 Financial Statements

The accompanying 2021 financial statements of the Foundation have not been consolidated with the 2021 financial statements of the Endowment, a supporting organization within the meaning of the Internal Revenue Code.

As discussed in Note 16 to the financial statements, the Endowment was incorporated effective January 1, 2021, and the Foundation’s investment assets were subsequently transferred to the Endowment. Under accounting principles generally accepted in the United States of America, the Foundation is presumed to have control of the Endowment through its interrelationship with the Endowment’s board of directors and its economic interest in the Endowment, conditions which require consolidation. The accompanying 2020 financial statements include investment assets of $10,397,738 in the Foundation’s December 31, 2020 net assets. The investment assets transferred by the Foundation to the Endowment in 2021 are not recognized in the Foundation’s December 31, 2021 net assets. If the financial statements of the Endowment had been consolidated with those of the Foundation, net assets at December 31, 2021 would be greater by $11,077,911 and changes in net assets would have increased $10,122,442.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (GAGAS). Our responsibility under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we’ve obtained is sufficient and appropriate to provide a basis for our qualified opinion on the 2021 financial statements and for our opinion on the 2020 financial statements.
The Board of Directors of
Retina Foundation of the Southwest

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation’s ability to continue as a going concern for one year after the date that the financial statements are issued (or when applicable, one year after the date that the financial statements are available to be issued).

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.
The Board of Directors of
Retina Foundation of the Southwest

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation’s basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2022 on our consideration of the Foundation’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Foundation’s internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
September 23, 2022
Financial Statements
Retina Foundation of the Southwest  
Statements of Financial Position (Parent Entity)  
December 31, 2021 and 2020

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>7,393,024</td>
<td>$ 7,288,850</td>
</tr>
<tr>
<td>Investments</td>
<td>-</td>
<td>10,397,738</td>
</tr>
<tr>
<td>Accounts and grants receivable</td>
<td>1,145,898</td>
<td>994,505</td>
</tr>
<tr>
<td>Pledges receivable, net</td>
<td>210,000</td>
<td>200,000</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>72,168</td>
<td>35,627</td>
</tr>
<tr>
<td>Land, building, and equipment, net</td>
<td>3,708,487</td>
<td>3,541,382</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$ 12,529,577</strong></td>
<td><strong>$ 22,458,102</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$ 268,029</td>
<td>$ 187,916</td>
</tr>
<tr>
<td>Retirement plan accrual</td>
<td>50,237</td>
<td>50,228</td>
</tr>
<tr>
<td>Deferred revenues</td>
<td>55,689</td>
<td>80,240</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>373,955</strong></td>
<td><strong>318,384</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without donor restrictions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted net assets</td>
<td>7,624,528</td>
<td>7,059,515</td>
</tr>
<tr>
<td>Unrestricted board designated net assets</td>
<td>-</td>
<td>2,965,467</td>
</tr>
<tr>
<td><strong>Total net assets without donor restrictions</strong></td>
<td><strong>7,624,528</strong></td>
<td><strong>10,024,982</strong></td>
</tr>
<tr>
<td>With donor restrictions</td>
<td>4,531,094</td>
<td>12,114,736</td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td><strong>12,155,622</strong></td>
<td><strong>22,139,718</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL LIABILITIES AND NET ASSETS</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>$ 12,529,577</strong></td>
<td><strong>$ 22,458,102</strong></td>
</tr>
</tbody>
</table>

The Notes to Financial Statements are an integral part of these statements.
Retina Foundation of the Southwest  
Statements of Activities (Parent Entity)  
Years Ended December 31, 2021 and 2020

<table>
<thead>
<tr>
<th>SUPPORT AND REVENUES</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special events</td>
<td>$299,866</td>
<td>$</td>
<td>$299,866</td>
</tr>
<tr>
<td>Less: cost of direct benefits to donors</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net special events revenues</td>
<td>299,866</td>
<td>-</td>
<td>299,866</td>
</tr>
<tr>
<td>Government grants</td>
<td>1,178,288</td>
<td>-</td>
<td>1,178,288</td>
</tr>
<tr>
<td>Contributions and other grants</td>
<td>2,341,101</td>
<td>1,082,896</td>
<td>3,423,997</td>
</tr>
<tr>
<td>Investment income and realized gain on investments</td>
<td>1,374</td>
<td>600</td>
<td>1,974</td>
</tr>
<tr>
<td>Unrealized gain (loss) on investments</td>
<td>30,883</td>
<td>77,343</td>
<td>108,226</td>
</tr>
<tr>
<td>Other income</td>
<td>142,983</td>
<td>277,208</td>
<td>420,191</td>
</tr>
<tr>
<td>Net assets released from restriction</td>
<td>1,511,471</td>
<td>(1,511,471)</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL SUPPORT AND REVENUES</strong></td>
<td><strong>5,505,966</strong></td>
<td><strong>(73,424)</strong></td>
<td><strong>5,432,542</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program</td>
<td>3,834,673</td>
<td>-</td>
<td>3,834,673</td>
</tr>
<tr>
<td>Management and general</td>
<td>535,827</td>
<td>-</td>
<td>535,827</td>
</tr>
<tr>
<td>Development</td>
<td>537,065</td>
<td>-</td>
<td>537,065</td>
</tr>
<tr>
<td>Total functional expenses</td>
<td>4,907,565</td>
<td>-</td>
<td>4,907,565</td>
</tr>
<tr>
<td>Transfer to RFSW Endowment, Inc.</td>
<td>2,998,855</td>
<td>7,510,218</td>
<td>10,509,073</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td><strong>7,906,420</strong></td>
<td><strong>7,510,218</strong></td>
<td><strong>15,416,638</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHANGES IN NET ASSETS</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2,400,454)</td>
<td>(7,583,642)</td>
<td>(9,984,096)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS AT BEGINNING OF YEAR</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,024,982</td>
<td>12,114,736</td>
<td>22,139,718</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS AT END OF YEAR</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$7,624,528</td>
<td>$4,531,094</td>
<td>$12,155,622</td>
<td></td>
</tr>
</tbody>
</table>
Year ended December 31, 2020

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 686,834</td>
<td>$</td>
<td>$ 686,834</td>
</tr>
<tr>
<td>(138,168)</td>
<td>-</td>
<td>(138,168)</td>
<td></td>
</tr>
<tr>
<td>548,666</td>
<td>-</td>
<td>548,666</td>
<td></td>
</tr>
<tr>
<td>1,294,011</td>
<td>-</td>
<td>1,294,011</td>
<td></td>
</tr>
<tr>
<td>1,820,912</td>
<td>1,618,792</td>
<td>3,439,704</td>
<td></td>
</tr>
<tr>
<td>97,527</td>
<td>703,294</td>
<td>800,821</td>
<td></td>
</tr>
<tr>
<td>(31,358)</td>
<td>(74,374)</td>
<td>(105,732)</td>
<td></td>
</tr>
<tr>
<td>449,754</td>
<td>-</td>
<td>449,754</td>
<td></td>
</tr>
<tr>
<td>1,405,800</td>
<td>(1,405,800)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>5,585,312</td>
<td>841,912</td>
<td>6,427,224</td>
<td></td>
</tr>
<tr>
<td>3,800,336</td>
<td>-</td>
<td>3,800,336</td>
<td></td>
</tr>
<tr>
<td>609,312</td>
<td>-</td>
<td>609,312</td>
<td></td>
</tr>
<tr>
<td>337,867</td>
<td>-</td>
<td>337,867</td>
<td></td>
</tr>
<tr>
<td>4,747,515</td>
<td>-</td>
<td>4,747,515</td>
<td></td>
</tr>
<tr>
<td>4,747,515</td>
<td>-</td>
<td>4,747,515</td>
<td></td>
</tr>
<tr>
<td>837,797</td>
<td>841,912</td>
<td>1,679,709</td>
<td></td>
</tr>
<tr>
<td>9,187,185</td>
<td>11,272,824</td>
<td>20,460,009</td>
<td></td>
</tr>
<tr>
<td>$ 10,024,982</td>
<td>$ 12,114,736</td>
<td>$ 22,139,718</td>
<td></td>
</tr>
</tbody>
</table>

The Notes to Financial Statements
are an integral part of these statements.
Retina Foundation of the Southwest  
Statements of Cash Flows (Parent Entity)  
Years Ended December 31, 2021 and 2020

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$ (9,984,096)</td>
<td>$ 1,679,709</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to RFSW Endowment</td>
<td>10,509,073</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>221,971</td>
<td>206,091</td>
</tr>
<tr>
<td>Realized gain on investments</td>
<td>-</td>
<td>(529,237)</td>
</tr>
<tr>
<td>Unrealized (gain) loss on investments</td>
<td>(108,226)</td>
<td>105,732</td>
</tr>
<tr>
<td>Increase in accounts and grants receivable</td>
<td>(151,393)</td>
<td>(159,198)</td>
</tr>
<tr>
<td>(Increase) decrease in prepaid expenses</td>
<td>(36,541)</td>
<td>94,198</td>
</tr>
<tr>
<td>Increase in accounts payable and accrued expenses and retirement plan accrual</td>
<td>80,122</td>
<td>46,898</td>
</tr>
<tr>
<td>Decrease in deferred revenue</td>
<td>(24,551)</td>
<td>(458,725)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>506,359</td>
<td>985,468</td>
</tr>
</tbody>
</table>

| **CASH FLOWS FROM INVESTING ACTIVITIES** |              |              |
| Purchases of investments        | (3,109)      | (3,972,662)  |
| Redemption/sale of investments  | -            | 4,096,198    |
| Increase in pledges receivable  | (10,000)     | (187,500)    |
| Purchases of land, building, and equipment | (389,076) | (84,029)     |
| Net cash used in investing activities | (402,185) | (147,993)    |

**NET INCREASE IN CASH AND CASH EQUIVALENTS**  
104,174  837,475

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR**  
7,288,850  6,451,375

**CASH AND CASH EQUIVALENTS AT END OF YEAR**  
$ 7,393,024  $ 7,288,850

The Notes to Financial Statements are an integral part of these statements.
<table>
<thead>
<tr>
<th></th>
<th>December 31, 2021</th>
<th>December 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Program</strong></td>
<td><strong>Management and General</strong></td>
<td><strong>Development</strong></td>
</tr>
<tr>
<td>Compensation and benefits</td>
<td>$ 2,711,060</td>
<td>$ 354,302</td>
</tr>
<tr>
<td>Lab, patient and other program expenses</td>
<td>298,686</td>
<td>-</td>
</tr>
<tr>
<td>General insurance</td>
<td>34,640</td>
<td>1,906</td>
</tr>
<tr>
<td>General office and maintenance expense</td>
<td>180,937</td>
<td>43,926</td>
</tr>
<tr>
<td>Other expenses</td>
<td>67,408</td>
<td>27,957</td>
</tr>
<tr>
<td>Professional services</td>
<td>56,156</td>
<td>835</td>
</tr>
<tr>
<td>Common area maintenance expenses</td>
<td>126,934</td>
<td>8,960</td>
</tr>
<tr>
<td>Special events</td>
<td>-</td>
<td>92,780</td>
</tr>
<tr>
<td>Sub-contract agreements</td>
<td>148,622</td>
<td>-</td>
</tr>
<tr>
<td>Travel and conference</td>
<td>18,517</td>
<td>615</td>
</tr>
<tr>
<td><strong>Total before depreciation expense</strong></td>
<td>$ 3,642,960</td>
<td>$ 531,281</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>191,713</td>
<td>4,546</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$ 3,834,673</td>
<td>$ 535,827</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2021</th>
<th>December 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Program</strong></td>
<td><strong>Management and General</strong></td>
<td><strong>Development</strong></td>
</tr>
<tr>
<td>Compensation and benefits</td>
<td>$ 2,671,781</td>
<td>$ 392,464</td>
</tr>
<tr>
<td>Lab, patient and other program expenses</td>
<td>236,190</td>
<td>-</td>
</tr>
<tr>
<td>General insurance</td>
<td>27,509</td>
<td>12,566</td>
</tr>
<tr>
<td>General office and maintenance expense</td>
<td>171,294</td>
<td>47,317</td>
</tr>
<tr>
<td>Other expenses</td>
<td>132,643</td>
<td>55,245</td>
</tr>
<tr>
<td>Professional services</td>
<td>65,198</td>
<td>49,635</td>
</tr>
<tr>
<td>Common area maintenance expenses</td>
<td>118,308</td>
<td>27,656</td>
</tr>
<tr>
<td>Special events</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sub-contract agreements</td>
<td>191,306</td>
<td>-</td>
</tr>
<tr>
<td>Travel and conference</td>
<td>7,897</td>
<td>856</td>
</tr>
<tr>
<td><strong>Total before depreciation expense</strong></td>
<td>$ 3,622,126</td>
<td>$ 585,739</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>178,210</td>
<td>23,573</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$ 3,800,336</td>
<td>$ 609,312</td>
</tr>
</tbody>
</table>

The Notes to Financial Statements are an integral part of these statements.
Retina Foundation of the Southwest  
Notes to Financial Statements (Parent Entity)  
Year Ended December 31, 2021

Note 1. Nature and Purpose of the Foundation

Retina Foundation of the Southwest (the Foundation) was organized in 1975 as a Texas non-profit corporation. The Foundation was organized to promote the research, diagnosis, treatment and education of the leading causes of blindness and impaired vision. The Foundation also strives to increase the understanding of the normal development and function of the visual system in order to better prevent, diagnose and treat sight-threatening conditions; and to enhance the rehabilitation, training and quality of life of individuals who are partially-sighted or blind.

Note 2. Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

Basis of Accounting

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP). These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Foundation presents its financial statements in accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 958 Not-for-Profit Entities. Under FASB ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – represent resources that are available for the support of operations. All contributions are available for unrestricted use in accordance with the Foundation’s nature and purpose as described in the corporate documents unless specifically restricted by creditors or other contractual agreements. Unrestricted board designated net assets are designated as restricted for research expenditures or for general operating expenses as approved by the Board of Directors (see Investments).
Retina Foundation of the Southwest  
Notes to Financial Statements (Parent Entity)  
Year Ended December 31, 2021

Net Assets With Donor Restrictions – include unspent grants, gifts, and other program income expendable only for purposes specified or approved by the donor or for use in a particular future period and are included in cash and cash equivalents, capital campaign cash and cash equivalents and pledges receivable, net, in the Statements of Financial Position. In addition, the Foundation’s unspent appreciation and investment earnings of its donor-restricted endowment funds are classified as net assets with donor restrictions and are included in endowment investments in the Statements of Financial Position. When a donor’s restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Net assets restricted for acquisition of buildings or equipment (included in pledges receivable and capital campaign cash and cash equivalents in the Statements of Financial Position) are reported as net assets with donor restrictions until the specified asset is placed in service by the Foundation, unless the donor provides more specific directions about the period of its use.

Net assets with donor restrictions also consist of endowment fund assets that must be maintained in perpetuity and whose use is limited by donor imposed restrictions that neither expire by being used in accordance with a donor’s restriction nor by the passage of time.

All revenues and net gains are reported as increases in net assets without donor restrictions in the Statements of Activities unless the use of the related resources is subject to donor restrictions. Contributions received with time or purpose restrictions that are expended for the restricted purpose within the same year are reported as unrestricted support. All expenses and net losses, other than losses on endowment investments, are reported as decreases in net assets without donor restrictions. Net losses on endowment investments reduce net assets with donor restrictions to the extent that net gains of the fund from prior years are unspent and classified there; remaining losses are classified as decreases in net assets without donor restrictions. If an endowment fund has no net gains from prior years such as when a fund is newly established, net losses are classified as decreases in net assets without donor restrictions.

Cash and Cash Equivalents

At December 31, 2021 and 2020, cash and cash equivalent consists of cash on hand, money market accounts, and all highly liquid investments purchased with an initial maturity of 90 days or less. Cash and cash equivalents are reported at cost which approximates fair value. The Foundation maintains cash balances at various financial institutions, which at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.
Accounts Receivable

Accounts receivable consist primarily of unsecured non-interest bearing amounts due from grantors on cost-reimbursement grants. Bad debts are accounted for using the reserve method. Management periodically reviews accounts on an account-by-account basis. Accounts are written off when it appears collection efforts will not be successful. There is no allowance for uncollectible accounts receivable as of December 31, 2021 and 2020.

Contributions and Pledges Receivable

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unconditional promises to give are included on the financial statements as pledges receivable and contribution revenue of the appropriate net asset category. The Foundation reports contributions as restricted support if the support is received with donor restrictions that limit the use of the donated assets. When and if a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Contributions whose restrictions are fulfilled in the same period in which the contribution is received are reported as contributions with donor restrictions and are also included in net assets released from restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions in the reporting period in which the support is recognized.

Pledges receivable are recorded based on the amount pledged by donors. Pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts are computed using a risk-adjusted interest rates applicable to the years in which the pledges are made.

Land, Building, and Equipment

Land, building, and equipment are recorded at cost, representing the purchase price at the date of acquisition. Donated property and equipment are recorded at fair value at the date of gift. Depreciation expense is computed using the straight-line method over estimated useful lives of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

<table>
<thead>
<tr>
<th></th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>5 - 10 years</td>
</tr>
<tr>
<td>Building and improvements</td>
<td>39 years</td>
</tr>
</tbody>
</table>

The Foundation capitalizes property and equipment with a cost greater than $5,000 and a useful life of greater than one year. The Foundation reviews the carrying value of long-lived assets to determine if facts and circumstances suggest that they may be impaired or that the depreciation or amortization period may need to be changed. If circumstances indicate the long-lived asset will not be recoverable, the carrying value of the long-lived asset will be reduced. The Foundation does not believe there are any indicators that would require an adjustment of the carrying value of its long-lived assets or their remaining useful lives as of December 31, 2021.
Investments

Donor-restricted permanent endowments are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the Foundation’s activities.

Board designated endowments are resources set aside by the Board of Directors for an indeterminate period to operate in a manner similar to a donor-restricted permanent endowment. Because a board-designated endowment results from an internal designation, it can be spent upon action of the Board of the Directors.

Endowment investments are reported at fair value and include investments purchased with unspent investment income and net gains on these resources. Investment income includes dividends and interest and is recognized as revenue in the period in which it is earned as increases in net assets without donor restrictions for board-designated endowments and net assets with donor restrictions for all other endowments. Realized and unrealized gains and losses on investments are classified and recorded as increases or decreases in net assets with or without donor restrictions. The investment and spending policies for the Endowment Funds are discussed in Note 8.

Revenue Recognition

Contributions

Contributions, including unconditional promises to give, are recorded as revenue when the promises are made. All contributions are available for unrestricted use unless specifically restricted by the donor in which case they would be reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises to give due in subsequent years are reported at the present value of their estimated net realizable value and have an implied restriction to be used in the year the payment is due and, therefore, are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions.

Grant Revenue

Grant revenue is recognized when qualifying costs are incurred for cost-reimbursement grants or contracts. Grant revenue from federal agencies is subject to independent audit under the Uniform Grant Guidance and review by grantor agencies. Revenue from grants which have the characteristics of an exchange transaction is recognized when earned (generally as funds are expended for grant purposes) as unrestricted revenue when the related obligations have been satisfied. Revenue from grants that include provisions for payment based upon the achievement of defined milestones is recorded when the defined specific outcome resulting from the Foundation’s past performance is achieved and the consideration earned is not at risk of being refunded or adjusted based on actual costs incurred. Grant revenue received in exchange transactions is recognized as deferred revenue to the extent that the earnings process has not been completed.
Functional Allocation of Expenses

The costs of providing the Foundation’s programs and supporting services are presented on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the allocation of expenses to program, management and general, and development functions. Expenses that can be identified with a specific program or support services are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefitted based on square footage and employees per department.

Management and general expenses include those costs that are not directly identified with a specific program, but which provide for the overall support and direction of the Foundation.

Tax Status

The Foundation has been recognized by the Internal Revenue Service as a nonprofit corporation exempt from federal income tax on its income, under Section 501(c)(3) of the Internal Revenue Code. The Foundation follows the provisions of ASC 740-10, Income Taxes, related to unrecognized tax positions. The Foundation recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the taxing authorities, based on the technical merits of the positions. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

The Foundation does not believe there are any material uncertain tax positions and accordingly, it will not recognize any liability for unrecognized tax benefits. For the years ended December 31, 2021 and 2020, there were no interest or penalties recorded or included in the financial statements. The Foundation is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status. However, the conclusions regarding accounting for uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof.

The Foundation's informational returns are generally subject to examination for three years after the later of the due date or date of filing. As a result, the Foundation is no longer subject to income tax examinations by tax authorities for years prior to 2018.
Subsequent Events

Management has reviewed events occurring subsequent to December 31, 2021, through the issuance date of the financial statements. During this period, there were no material recognizable subsequent events, except as follows:

1. Line of Credit to Term Note Agreement

The Foundation entered into a Line of Credit to Term note agreement with a principal amount up to $700,000 with Amegy Bank on April 22, 2022. As of issuance date of the financial statements, the Foundation has drawn $373,809 on the line of credit.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases (with the exception of short-term leases) at the commencement date. The ASU is effective for fiscal years beginning after December 15, 2021. Management is currently assessing the impact of this ASU on its financial statements, but expects that it will result in increases in its long-term assets and liabilities.

Note 3. Investments

Investments held by the Foundation at December 31, 2021 and 2020 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2021*</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>Exchange traded funds</td>
<td>-</td>
<td>$ 8,670,199</td>
</tr>
<tr>
<td>Total investments</td>
<td>$</td>
<td>$ 10,397,738</td>
</tr>
</tbody>
</table>

*As of January 1, 2021, the investment balances of the Endowment fund within the Foundation were transferred to RFSW Endowment, Inc.

Investment Categories

To the extent available, the Foundation’s investments are recorded at fair value based on quoted prices in active markets on a trade-date basis. The Foundation’s investments that are listed on any U.S. or non-U.S. recognized exchanges are valued based on readily available market quotations. Investments are categorized by asset class and valued as described below:

**Mutual funds:** Determined by the published net asset value per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

**Exchange traded funds:** Determined by the published net asset value per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.
Fair Value

The Foundation follows FASB ASC Topic 820, *Fair Value Measurements*, which provides the framework for measuring fair value. FASB ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10-50-2 are described below:

*Level 1* – Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

*Level 2* – Level 2 inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* – Level 3 inputs have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are based upon the best information in the circumstance and may require significant management judgment. Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and require significant professional judgment in determining the fair value assigned to such assets or liabilities. Certain alternative investments may be reclassified to Level 2 when the Foundation has the ability to redeem them at NAV in the near term without significant restrictions on redemption.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Foundation evaluates its hierarchy disclosures each reporting period and, based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the Foundation expects that changes in classifications between different levels will be rare.
Retina Foundation of the Southwest  
Notes to Financial Statements (Parent Entity)  
Year Ended December 31, 2021

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2021 and 2020:

<table>
<thead>
<tr>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Exchange traded funds</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

*As of January 1, 2021, the investment balances of the Endowment fund within the Foundation were transferred to RFSW Endowment, Inc.

| December 31, 2020 |
|---|---|---|---|
| Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Mutual funds | $ 8,670,199 | $ - | $ - | $ 8,670,199 |
| Exchange traded funds | 1,727,539 | - | - | 1,727,539 |
| **Total** | $ 10,397,738 | $ - | $ - | $ 10,397,738 |

The Foundation’s investment income for the years ended December 31, 2021 and 2020 was as follows:

| December 31, 2021 and 2020 |
|---|---|---|
| Investment income (net) | $ 1,974 | $ 271,584 |
| Realized gain | - | 529,237 |
| Unrealized gain (loss) | 108,226 | (105,732) |
| **Total investment return** | $ 110,200 | $ 695,089 |
Retina Foundation of the Southwest  
Notes to Financial Statements (Parent Entity)  
Year Ended December 31, 2021

Note 4. Pledges Receivable

Pledges receivable represent unconditional promises to give. Amounts due in less than one year of $177,500 and $100,000 as of December 31, 2021 and 2020, respectively, are stated at net realizable value. Amounts due in one to three years are $32,500 and $100,000 as of December 31, 2021 and 2020, respectively, are stated at fair value and net of reserve for uncollectible pledge receivables of $0, at December 31, 2021 and 2020.

Note 5. Land, Building, and Equipment

Land, building, and equipment as of December 31 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2021</th>
<th>December 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$250,000</td>
<td>$250,000</td>
</tr>
<tr>
<td>Building and improvements</td>
<td>3,404,273</td>
<td>3,395,108</td>
</tr>
<tr>
<td>Equipment</td>
<td>2,178,130</td>
<td>1,798,219</td>
</tr>
<tr>
<td></td>
<td>5,832,403</td>
<td>5,443,327</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(2,123,916)</td>
<td>(1,901,945)</td>
</tr>
<tr>
<td></td>
<td>$3,708,487</td>
<td>$3,541,382</td>
</tr>
</tbody>
</table>

Depreciation expense was $221,971 and $206,091 for the years ended December 31, 2021 and 2020, respectively.

Note 6. Payroll Protection Program

During the year ended December 31, 2020, the Foundation received a forgivable loan under the Payroll Protection Program (PPP) under the Coronavirus Aid, Relief and Economic Security (CARES) Act in the amount of $377,000. The Foundation assessed funds expended under the PPP and the related forgiveness requirements (including eligible costs and maintenance of employee counts), and believed they were in compliance with all related requirements. In addition, all funds were expended over an 8 week period that ended prior to December 31, 2020, in accordance with the requirements of the PPP loan, and, as such, the Foundation believed that all funds would be forgiven. Accordingly, the funds were recorded as other income on the accompanying Statement of Activities for the year ended December 31, 2020. In March 2021, the Foundation was notified of their PPP loan forgiveness.
Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions include the accumulation of gifts to be invested in perpetuity that are permanently restricted by donors. The income earned on these investments can be spent on the programs for which the donor intended. In addition, net assets with restrictions include contributions with time or purpose restrictions.

Net assets with donor restrictions consist of the following at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from permanently restricted endowment funds</td>
<td>$ -</td>
<td>$ 1,328,201</td>
</tr>
<tr>
<td>Unspent contributions for future periods</td>
<td>4,531,094</td>
<td>4,682,465</td>
</tr>
<tr>
<td>Permanently restricted endowment funds</td>
<td>$ -</td>
<td>$ 6,104,070</td>
</tr>
<tr>
<td></td>
<td><strong>$ 4,531,094</strong></td>
<td><strong>$ 12,114,736</strong></td>
</tr>
</tbody>
</table>

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital campaign</td>
<td>$ -</td>
<td>$ 12,500</td>
</tr>
<tr>
<td>Program support</td>
<td>1,511,471</td>
<td>1,393,300</td>
</tr>
<tr>
<td></td>
<td><strong>$ 1,511,471</strong></td>
<td><strong>$ 1,405,800</strong></td>
</tr>
</tbody>
</table>

Note 8. Endowment Fund Net Assets

The Foundation’s endowment consists of nine individual funds established for a variety of purposes. The endowment includes both donor restricted funds and funds designated by the Board of Directors functioning as endowments. 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 Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring (absent specific donor restrictions) the Foundation to consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds;
- The purposes of the donor-restricted endowment funds;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Endowment; and
- Investment policies of the Endowment.
As a result of this interpretation, the Endowment classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund that is not permanently restricted is also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Endowment in a manner consistent with the standards of prudence prescribed by SPMIFA.

**Investment Return Objectives, Risk Parameters and Strategies**

The Endowment has adopted investment and spending policies, approved by the Board of Directors, for endowment assets, that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distributions with acceptable levels of risk. Endowment assets are invested in a diversified asset mix of investments with both equity and fixed income strategies, which are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution based on the spending policies below, while growing the funds, if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**Spending Policy**

The Endowment has adopted a spending policy allowing appropriation for distribution of an amount based on four percent of the average previous three years' ending endowment value. Endowment net asset composition by type of fund was as follows:

<table>
<thead>
<tr>
<th>December 31, 2021*</th>
<th>Without Donor Restriction</th>
<th>With Donor Restrictions</th>
<th>Total Endowment Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Board-designated endowment funds</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total funds</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>December 31, 2020</th>
<th>Without Donor Restriction</th>
<th>With Donor Restrictions</th>
<th>Total Endowment Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$ -</td>
<td>$ 1,328,201</td>
<td>$ 6,104,070</td>
</tr>
<tr>
<td>Board-designated endowment funds</td>
<td>2,965,467</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total funds</td>
<td>$ 2,965,467</td>
<td>$ 1,328,201</td>
<td>$ 6,104,070</td>
</tr>
</tbody>
</table>

*As of January 1, 2021, the investment balances of the Endowment fund within the Foundation were transferred to RFSW Endowment, Inc.
Endowment net asset activity by fund was as follows:

<table>
<thead>
<tr>
<th>December 31, 2021*</th>
<th>Without Donor Restriction</th>
<th>With Donor Restrictions</th>
<th>Permanent Endowment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Without Donor Restriction</td>
<td>With Donor Restrictions</td>
<td>Permanent Endowment</td>
<td>Total</td>
</tr>
<tr>
<td>Beginning balance</td>
<td>$ 2,965,467</td>
<td>$ 1,328,201</td>
<td>$ 6,104,070</td>
<td>$10,397,738</td>
</tr>
<tr>
<td>Investment income and realized gain</td>
<td>2,509</td>
<td>600</td>
<td>-</td>
<td>3,109</td>
</tr>
<tr>
<td>Unrealized gain</td>
<td>30,883</td>
<td>77,343</td>
<td>-</td>
<td>108,226</td>
</tr>
<tr>
<td>Amounts appropriated for expenditure</td>
<td>(2,998,859)</td>
<td>(1,406,144)</td>
<td>(6,104,070)</td>
<td>(10,509,073)</td>
</tr>
<tr>
<td>Total funds</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

*As of January 1, 2021, the investment balances of the Endowment fund within the Foundation were transferred to RFSW Endowment, Inc.

The Endowment maintained the following endowment funds:

<table>
<thead>
<tr>
<th>December 31, 2021*</th>
<th>Permanent Endowment</th>
<th>Included in Net Assets With Donor Restrictions</th>
<th>Total Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crystal Charity Endowment Fund</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Harrington Endowment Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proctor Endowment Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Silverthorne Endowment Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Stager Lecture Endowment Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>T. Boone Pickens Macular Degeneration Endowment Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total funds</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

*As of January 1, 2021, the investment balances of the Endowment fund within the Foundation were transferred to RFSW Endowment, Inc.
Retina Foundation of the Southwest  
Notes to Financial Statements (Parent Entity)  
Year Ended December 31, 2021

<table>
<thead>
<tr>
<th>December 31, 2020</th>
<th>Permanent Endowment</th>
<th>Included in Net Assets With Donor Restrictions</th>
<th>Total Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crystal Charity Endowment Fund</td>
<td>$718,500</td>
<td>$175,888</td>
<td>$894,388</td>
</tr>
<tr>
<td>Harrington Endowment Fund</td>
<td>2,561,212</td>
<td>289,543</td>
<td>2,850,755</td>
</tr>
<tr>
<td>Proctor Endowment Fund</td>
<td>105,200</td>
<td>21,637</td>
<td>126,837</td>
</tr>
<tr>
<td>Silverthorne Endowment Fund</td>
<td>169,158</td>
<td>46,509</td>
<td>215,667</td>
</tr>
<tr>
<td>Stager Lecture Endowment Fund</td>
<td>50,000</td>
<td>6,764</td>
<td>56,764</td>
</tr>
<tr>
<td>T. Boone Pickens Macular</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Degeneration Endowment Fund</td>
<td>2,500,000</td>
<td>787,860</td>
<td>3,287,860</td>
</tr>
<tr>
<td>Total funds</td>
<td>$6,104,070</td>
<td>$1,328,201</td>
<td>$7,432,271</td>
</tr>
</tbody>
</table>

**Note 9. Liquidity**

The Foundation has $3.1 million of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. This consists of cash and cash equivalents of $7.4 million plus accounts receivable and pledges receivable of $1.3 million less net restricted cash and other assets of $5.6 million. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The pledges receivable are subject to implied time restrictions but are expected to be collected within one year. The Foundation has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 90 days of normal operating expenses, which are, on average, approximately $1.3 million.

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Foundation may invest cash in excess of daily requirements in various short-term investments, including money market and short-term treasury instruments.

**Note 10. Building**

In May 2012, the Foundation and an affiliate of Texas Retina Associates (TRA) formed a limited liability corporation (Retina Central, LLC) as equal members to jointly purchase land and building. To finance the acquisition of the land, building and subsequent building improvements, Retina Central, LLC secured a mortgage obligation (including a first lien deed-of-trust and a promissory note) from Amegy Bank National Association (Amegy) through a loan agreement dated May 18, 2012 that was amended effective April 24, 2014.
Concurrent with the purchase of the land and building, Retina Central, LLC executed a Condominium Declaration (the Declaration) for Retina Central Condominium by which the land and building purchased was subjected to a condominium regime. The Declaration provided for the division of the land and building into two equal units plus shared common areas and the Foundation and the TRA affiliate each received a general warranty deed for their respective units from Retina Central, LLC and each executed a second lien deed of trust with security agreement for their respective unit's ownership with Amegy for their portion of the mortgage obligation. As a result of the foregoing, the Foundation and the TRA affiliate record their respective condominium unit ownership on their respective entity's accounting records along with their respective portions of the mortgage obligation from Amegy.

With the establishment of the condominium regime, a Texas not-for-profit corporation was formed, Retina Central Condominium Association (RCCA), with the Foundation and the TRA affiliate each as equal members through ownership of their respective units. The Declaration and RCCA's bylaws require the units to be used or occupied solely for commercial or medical office purposes and related uses, including use as a medical clinic, research and/or a surgery center.

RCCA joined with Retina Central, LLC as a named borrower on the mortgage obligation. Per the loan agreement, the Foundation made payments on their portion of the mortgage obligation directly to Amegy from capital campaign contributions received. The Foundation paid off the Mortgage Payable balance on April 29, 2019. There was no remaining balance as of December 31, 2021 or 2020.

RCCA assesses monthly fees for the repair and maintenance and general upkeep of the common areas of the land and building, umbrella insurance, and other expenses defined in the RCCA's bylaws which amounted to $149,034 and $153,571 in 2021 and 2020, respectively.

Note 11. Retirement Plan

Effective in 1989, the Foundation established a defined contribution plan (the Plan) for all full-time employees of the Foundation with one or more years of service. The Plan provides for employer contributions of amounts determined by the Board of Directors. In 2021 and 2020, the Board of Directors approved $120,963 and $122,072 in retirement plan contributions, respectively.

Effective February 15, 2015, the Plan was amended. Employees hired after the effective date are eligible to participate in the plan upon the completion of three months of service. The amended Plan provides automatic employee deferrals of 3% of an employee's compensation subject to the annual dollar limit set by law (unless an employee specifically elects a different deferral amount) and provides for a safe harbor nonelective employer contribution, as defined, of 3% of an employee's compensation. Both employee deferrals and the employer nonelective contribution are 100% vested at all times. In addition, the Plan provides for a discretionary employer match and profit sharing contribution to be determined annually. Any employer match and/or profit sharing contributions will be subject to a vesting schedule of 20% a year beginning in year two up to 100% in year six.

Note 12. Commitments and Contingencies

In the normal course of business, the Foundation may become party to various claims, litigation and assessments. Management is unaware of any such matters that would have a material impact on the financial statements in the event of an unfavorable outcome.
Retina Foundation of the Southwest  
Notes to Financial Statements (Parent Entity)  
Year Ended December 31, 2021

Note 13. Concentrations of Risk

The Foundation operates entirely within the Dallas, Texas metropolitan area. Therefore, results of operations are subject to the economic conditions of the area. A significant portion of support and revenue is received from the Department of Health and Human Services (DHHS) and from contributions.

For the years ended December 31, 2021 and 2020, 24% of the total of government grants, contributions and other grants and special events revenue was received from the DHHS and 13% and 5%, respectively, of accounts and grants receivable and pledges receivable were outstanding from the DHHS as of December 31, 2021 and 2020. Of the contributions and non-DHHS grants and special events revenue, 7% and 13% was provided by one foundation in 2021 and 2020, respectively; and 14% and 9%, respectively of accounts and grants receivable and pledges receivable was from one foundation/corporate grantor as of December 31, 2021 and 2020. Continued funding from these sources at current levels is dependent upon various factors. Such factors include economic conditions, compliance with grant provisions, continued government approval, new legislation, donor satisfaction and public perception of mission effectiveness and relative importance.

The Foundation holds cash in various financial institutions which are insured by the FDIC. As of December 31, 2021 and 2020, cash balances exceed FDIC limits by approximately $1,817,000 and $1,850,000, respectively. The Foundation deposits its cash with highly quality financial institutions, and management believes the Foundation is not exposed to significant credit risk on those amounts.

The Foundation's investments are subject to various risks, such as interest rate risk, credit and overall market volatility risks. Further, because of the significance of the investments to the Foundation's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

Note 14. Related Party Transactions

In addition to the transactions discussed in Note 10, the Foundation contracted with TRA to provide research services and incurred $140,804 and $139,846 in expenses in 2021 and 2020, respectively and owed TRA $32,790 and $13,350 for these services as of December 31, 2021 and 2020, respectively. TRA also made $24,000 contributions to the Foundation in both 2021 and 2020.

During 2021, the Foundation transferred $10,509,073 to the RFSW Endowment, Inc. (the Endowment) and the Endowment subsequently transferred $386,631 of endowment distributions back to the Foundation. The relationship between the Foundation and Endowment is more fully described in Note 16.
Note 15. Nonprimary Beneficiary Holder of a Variable Interest in a Variable Interest Entity

As noted in Note 10, the Foundation is a 50% owner of Retina Central, LLC, and 50% owner of Retina Central Condominium Association, Inc. (RCCA). The sole manager of Retina Central LLC is the CEO of the other 50% owner, an affiliate of Texas Retina Associates (TRA). The Foundation holds a variable interest in a variable interest entity (Retina Central LLC), but is not the primary beneficiary. RCCA and Retina Central LLC have historically accounted for the Foundation and the TRA affiliate based on the Foundation’s and the TRA affiliate’s activity in the two entities (like a partnership) versus a direct 50% split in the income and expenses.

Therefore the carrying amounts and classification of the assets and liabilities in the Foundation’s statement of financial position that relate to the Foundation’s variable interest in Retina Central LLC represent the Foundation’s proportional share. There are some income and expenses in Retina Central that are accounted for by the Foundation as equity investments in Retina Central LLC of $63,016 and $215,898 at December 31, 2021 and 2020, respectively, and are included in Accounts and Grants Receivable on the statement of financial position.

As a result of the above, the Foundation’s maximum exposure to loss as a result of its involvement with Retina Central LLC is 50% of the overall outstanding debt. The overall carrying amounts recorded in the Statements of Financial Position and the Foundation’s maximum exposure is as follows:

<table>
<thead>
<tr>
<th>Carrying amount:</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land, building</td>
<td>3,654,273</td>
<td>3,645,108</td>
</tr>
<tr>
<td>Mortgage payable</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Maximum exposure:</th>
<th>Year ended December 31, 2021</th>
<th>Year ended December 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% of entire land, building</td>
<td>$ 2,520,649</td>
<td>$ 2,577,507</td>
</tr>
<tr>
<td>50% of entire mortgage payable</td>
<td>623,517</td>
<td>678,941</td>
</tr>
</tbody>
</table>

Note 16. RFSW Endowment, Inc. and Summarized Consolidating Financial Statement Information

RFSW Endowment, Inc. (the Endowment) was incorporated effective January 1, 2021. The Endowment is organized and shall be operated exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Code. The Endowment shall be operated exclusively to support and benefit Retina Foundation of the Southwest (the Foundation). The Endowment is organized and operated to hold, manage and invest endowment funds for the benefit of the Foundation. The Endowment may, among other things: receive, hold in trust as trustee, manage, convey and dispose of property; issue charitable gift annuities; invest, reinvest, manage and administer funds; conduct other activities not in contravention of the Texas Business Organizations Code necessary to or appropriate to carry out the foregoing purposes.
Under accounting principles generally accepted in the United States of America, the Foundation is presumed to have control of the Endowment through its interrelationship with the Endowment’s board of directors and its economic interest in the Endowment. As a result, consolidated financial statements of the Foundation and the Endowment are required. If the financial statements of the Foundation had been consolidated with those of the Endowment, summarized consolidating financial information would be presented as follows:

As of and for the year ended December 31, 2021:

<table>
<thead>
<tr>
<th></th>
<th>Foundation</th>
<th>Endowment</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 12,529,577</td>
<td>$ 11,077,911</td>
<td>$ -</td>
<td>$ 23,607,488</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>373,955</td>
<td>-</td>
<td>-</td>
<td>373,955</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>12,155,622</td>
<td>11,077,911</td>
<td>-</td>
<td>23,233,533</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$ 12,529,577</td>
<td>$ 11,077,911</td>
<td>-</td>
<td>$ 23,607,488</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Foundation</th>
<th>Endowment</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total support and revenue</strong></td>
<td>$ 5,432,542</td>
<td>$ 11,507,753</td>
<td>$ (10,122,442)</td>
<td>6,817,853</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>15,416,638</td>
<td>429,842</td>
<td>$ (10,122,442)</td>
<td>5,724,038</td>
</tr>
<tr>
<td><strong>Changes in net assets</strong></td>
<td>(9,984,096)</td>
<td>11,077,911</td>
<td>-</td>
<td>1,093,815</td>
</tr>
<tr>
<td><strong>Net assets, beginning of year</strong></td>
<td>22,139,718</td>
<td>-</td>
<td>-</td>
<td>22,139,718</td>
</tr>
<tr>
<td><strong>Net assets, end of year</strong></td>
<td>$ 12,155,622</td>
<td>$ 11,077,911</td>
<td>$ -</td>
<td>$ 23,233,533</td>
</tr>
</tbody>
</table>
Supplementary Information
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors of
Retina Foundation of the Southwest

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Retina Foundation of the Southwest (the Foundation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
The Board of Directors of  
Retina Foundation of the Southwest  

Report on Compliance and Other Matters  

As part of obtaining reasonable assurance about whether the Foundation’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.  

Purpose of this Report  

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.  

Weaver and Tidwell, L.L.P.  

WEAVER AND TIDWELL, L.L.P.  

Dallas, Texas  
September 23, 2022
Independent Auditor’s Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance in Accordance with the Uniform Guidance

To the Board of Directors of
Retina Foundation of the Southwest

Opinion on Each Major Federal Program

We have audited Retina Foundation of the Southwest’s (the Foundation) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Foundation’s major federal programs for the year ended December 31, 2021. The Foundation’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foundation’s compliance with the compliance requirements referred to above.

Responsibility of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Foundation’s federal program.
The Board of Directors of
Retina Foundation of the Southwest

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
The Board of Directors of  
Retina Foundation of the Southwest

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
September 23, 2022
Section 1. Summary of Auditor’s Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes    X  No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes    X  None

Noncompliance material to financial statements noted? _____ Yes    X  No

Federal Awards

An unmodified opinion was issued on compliance for major programs.

Internal control over major programs:

Material weakness(es) identified? _____ Yes    X  No

Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes    X  None

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes    X  No

Identification of major programs:

<table>
<thead>
<tr>
<th>Federal Assistance Listing Number</th>
<th>Program Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>93.867</td>
<td>Research and Development Cluster</td>
</tr>
<tr>
<td></td>
<td>(Vision Research)</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? X  Yes    No
Section 2. Financial Statement Findings

None

Section 3. Federal Award Findings and Questioned Costs

None

Section 4. Schedule of Prior Year Findings and Questioned Costs

None
## Federal Grantor/Pass-Through Grantor/Program or Cluster Title

<table>
<thead>
<tr>
<th>Federal Assistance Listing Number</th>
<th>Pass-Through Entity Identifying Number</th>
<th>Total Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Research and Development Cluster</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Department of Health and Human Services</td>
<td>National Institutes of Health Direct programs from: National Eye Institute</td>
<td>93.867</td>
</tr>
<tr>
<td></td>
<td>National Institutes of Health pass-through programs from: MAYO Clinic</td>
<td>93.867</td>
</tr>
<tr>
<td></td>
<td>Columbia University New York Morningside</td>
<td>93.867</td>
</tr>
<tr>
<td></td>
<td>Rebiscan Inc.</td>
<td>93.867</td>
</tr>
<tr>
<td><strong>Total U.S. Departmental of Health and Human Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Research and Development Cluster</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenditures of Federal Awards</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this schedule.
Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Foundation under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Foundation has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.