

Retina Foundation of the Southwest

Financial Report

December 31, 2023

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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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects on the accompanying financial statements not consolidating the financial statements of the Foundation with those of RFSW Endowment, Inc. (the Endowment), as discussed in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, 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

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

As discussed in Note 14 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. If the financial statements of the Endowment had been consolidated with those of the Foundation, net assets would be greater by \$11,732,098 and \$9,048,434 as of December 31, 2023 and 2022, respectively. Changes in net assets would have increased by \$2,683,664 and decreased by \$2,029,477, respectively, for the years then ended.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

The Woodlands, Texas
May 22, 2024

Financial Statements

Retina Foundation of the Southwest
Statements of Financial Position (Parent Entity)
December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 6,754,379	\$ 7,492,171
Accounts and grants receivable	1,344,982	1,445,992
Pledges receivable, net	1,049,538	132,500
Prepaid expenses	40,861	59,063
Land, building, and equipment, net	4,052,077	4,168,960
TOTAL ASSETS	\$ 13,241,837	\$ 13,298,686
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 242,026	\$ 555,681
Retirement plan accrual	69,910	64,290
Deferred revenues	105,000	46,507
Note payable	521,293	373,809
Total liabilities	938,229	1,040,287
NET ASSETS		
Without donor restrictions	6,461,421	7,577,911
With donor restrictions	5,842,187	4,680,488
Total net assets	12,303,608	12,258,399
TOTAL LIABILITIES AND NET ASSETS	\$ 13,241,837	\$ 13,298,686

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, 2023 and 2022

	Year ended December 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Special events	\$ 660,603	\$ -	\$ 660,603
Less: cost of direct benefits to donors	(45,123)	-	(45,123)
Net special events revenues	615,480	-	615,480
Government grants	645,637	-	645,637
Contributions, other grants, and contracts	2,186,060	3,752,568	5,938,628
Investment income	322,832	-	322,832
Other income	143,303	275,268	418,571
Net assets released from restriction	1,862,103	(1,862,103)	-
TOTAL SUPPORT AND REVENUES	5,775,415	2,165,733	7,941,148
EXPENSES			
Program	4,440,230	-	4,440,230
Management and general	824,443	-	824,443
Development	866,277	-	866,277
Total functional expenses	6,130,950	-	6,130,950
Transfer to RFSW Endowment, Inc.	760,955	1,004,034	1,764,989
TOTAL EXPENSES	6,891,905	1,004,034	7,895,939
CHANGES IN NET ASSETS	(1,116,490)	1,161,699	45,209
NET ASSETS AT BEGINNING OF YEAR	7,577,911	4,680,488	12,258,399
NET ASSETS AT END OF YEAR	\$ 6,461,421	\$ 5,842,187	\$ 12,303,608

The Notes to Financial Statements
are an integral part of these statements.

Year ended December 31, 2022

Without Donor Restrictions	With Donor Restrictions	Total
\$ 753,556	\$ -	\$ 753,556
(32,636)	-	(32,636)
720,920	-	720,920
943,241	-	943,241
2,455,690	1,076,991	3,532,681
70,614	-	70,614
145,688	286,783	432,471
1,214,380	(1,214,380)	-
5,550,533	149,394	5,699,927
4,250,424	-	4,250,424
636,047	-	636,047
710,679	-	710,679
5,597,150	-	5,597,150
-	-	-
5,597,150	-	5,597,150
(46,617)	149,394	102,777
7,624,528	4,531,094	12,155,622
<u>\$ 7,577,911</u>	<u>\$ 4,680,488</u>	<u>\$ 12,258,399</u>

Retina Foundation of the Southwest
Statements of Cash Flows (Parent Entity)
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 45,209	\$ 102,777
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	279,654	231,239
Gain on sale of equipment	(1,343)	-
(Increase) decrease in accounts and grants receivable	101,010	(300,094)
(Increase) decrease in prepaid expenses	18,202	13,105
Increase (decrease) in accounts payable and accrued expenses and retirement plan accrual	(308,035)	301,705
Increase (decrease) in deferred revenue	58,493	(9,182)
	193,190	339,550
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in pledges receivable	(917,038)	77,500
Proceeds from sale of equipment	92,118	-
Purchases of land, building, and equipment	(253,546)	(691,712)
	(1,078,466)	(614,212)
CASH FLOWS FROM FINANCING ACTIVITIES		
Draws on line of credit	204,904	373,809
Payment on note payable	(57,420)	-
	147,484	373,809
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(737,792)	99,147
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,492,171	7,393,024
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 6,754,379	\$ 7,492,171
SUPPLEMENTAL DISCLOSURE		
Interest paid	\$ 21,973	\$ 8,507

Retina Foundation of the Southwest
Statements of Functional Expenses (Parent Entity)
Years Ended December 31, 2023 and 2022

<u>December 31, 2023</u>	<u>Program</u>	<u>Management and General</u>	<u>Development</u>	<u>Total</u>
Compensation and benefits	\$ 2,981,298	\$ 601,301	\$ 433,219	\$ 4,015,818
Lab, patient and other program expenses	465,225	-	-	465,225
General insurance	44,228	16,196	2,338	62,762
General office and maintenance expense	150,029	38,681	50,162	238,872
Interest expense	17,578	1,099	3,296	21,973
Other expenses	168,539	63,685	167,409	399,633
Professional services	57,514	77,638	44,931	180,083
Common area maintenance expenses	142,601	11,937	24,742	179,280
Special events	47,947	-	112,296	160,243
Travel and conference	50,244	2,994	4,169	57,407
Total before depreciation expense and bad debt expense	4,125,203	813,531	842,562	5,781,296
Depreciation expense	245,027	10,912	23,715	279,654
Bad debt expense	70,000	-	-	70,000
TOTAL EXPENSES	\$ 4,440,230	\$ 824,443	\$ 866,277	\$ 6,130,950
<u>December 31, 2022</u>	<u>Program</u>	<u>Management and General</u>	<u>Development</u>	<u>Total</u>
Compensation and benefits	\$ 2,932,940	\$ 428,798	\$ 363,158	\$ 3,724,896
Lab, patient and other program expenses	288,793	-	-	288,793
General insurance	43,209	16,030	2,271	61,510
General office and maintenance expense	163,593	58,807	48,496	270,896
Interest expense	7,809	440	257	8,506
Other expenses	63,168	30,983	120,130	214,281
Professional services	26,981	59,152	42,376	128,509
Common area maintenance expenses	165,565	16,852	8,590	191,007
Special events	42,766	-	115,163	157,929
Sub-contract agreements	251,657	-	-	251,657
Travel and conference	61,640	833	5,454	67,927
Total before depreciation expense	4,048,121	611,895	705,895	5,365,911
Depreciation expense	202,303	24,152	4,784	231,239
TOTAL EXPENSES	\$ 4,250,424	\$ 636,047	\$ 710,679	\$ 5,597,150

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, 2023

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.

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, and pledges receivable, net, 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.

Retina Foundation of the Southwest
Notes to Financial Statements (Parent Entity)
Year Ended December 31, 2023

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 are reported as decreases in net assets without donor restrictions.

Cash and Cash Equivalents

At December 31, 2023 and 2022, 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.

Investment income includes interest earned on cash equivalents that is recognized as revenue in the period in which it is earned as increases in net assets without donor restrictions.

Accounts Receivable

Accounts receivable consist primarily of unsecured non-interest bearing amounts due from grantors on cost-reimbursement grants and contracts. 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. Allowance for doubtful accounts is \$70,000 and \$0 as of December 31, 2023 and 2022, respectively.

Contributions and Pledges Receivable

Contributions, including unconditional promises to give, are recognized as revenue when the promises are made. 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.

Retina Foundation of the Southwest
Notes to Financial Statements (Parent Entity)
Year Ended December 31, 2023

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.

Equipment	5 - 10 years
Building and improvements	39 years

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, 2023.

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 and Contract Revenue

Grant and contract 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 and contracts which have the characteristics of an exchange transaction is recognized when earned (generally as funds are expended for grant or contract purposes) as unrestricted revenue when the related obligations have been satisfied. Revenue from grants and contracts 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.

Retina Foundation of the Southwest
Notes to Financial Statements (Parent Entity)
Year Ended December 31, 2023

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, 2023 and 2022, 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 2020.

Subsequent Events

Management has reviewed events occurring subsequent to December 31, 2023, through the issuance date of the financial statements. During this period, there were no material recognizable subsequent events.

Recent Accounting Pronouncements

In September 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326). This standard aims to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets such as loans, receivables and investments in debt securities. The Foundation implemented this standard effective January 1, 2023, with no impact in the current year.

Note 3. Pledges Receivable

Pledges receivable represent unconditional promises to give. Amounts due in less than one year of \$892,038 and \$130,000 as of December 31, 2023 and 2022, respectively, are stated at net realizable value. Amounts due in one to three years are \$157,500 and \$2,500 as of December 31, 2023 and 2022, respectively, are stated at fair value and net of reserve for uncollectible pledge receivables of \$0, at December 31, 2023 and 2022.

Retina Foundation of the Southwest
Notes to Financial Statements (Parent Entity)
Year Ended December 31, 2023

Note 4. Land, Building, and Equipment

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

	December 31,	
	2023	2022
Land	\$ 250,000	\$ 250,000
Building and improvements	3,404,273	3,404,273
Equipment	3,011,922	2,869,843
	6,666,195	6,524,116
Accumulated depreciation	(2,614,118)	(2,355,156)
	\$ 4,052,077	\$ 4,168,960

Depreciation expense was \$279,654 and \$231,239 for the years ended December 31, 2023 and 2022, respectively.

Note 5. 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:

	2023	2022
Pediatric research	\$ 389,837	\$ 425,731
Inherited retinal diseases research	729,515	408,214
Age-related macular degeneration research	4,722,835	3,796,543
Educational programs	-	50,000
	\$ 5,842,187	\$ 4,680,488

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:

	2023	2022
Pediatric research	\$ 182,066	\$ 185,626
Inherited retinal diseases research	183,883	145,660
Age-related macular degeneration research	1,446,154	883,094
Educational programs	50,000	-
	\$ 1,862,103	\$ 1,214,380

Retina Foundation of the Southwest
Notes to Financial Statements (Parent Entity)
Year Ended December 31, 2023

Note 6. Liquidity

The Foundation has \$2.6 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 \$6.8 million plus accounts receivable and pledges receivable of \$2.0 million less net restricted cash and other assets of \$6.2 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 7. 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.

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 \$178,531 and \$190,707 in 2023 and 2022, respectively.

Retina Foundation of the Southwest
Notes to Financial Statements (Parent Entity)
Year Ended December 31, 2023

Note 8. Line of Credit to Term Note Agreement

On April 22, 2022, the Foundation entered into a promissory note with Amegy Bank, which included a line of credit feature, at a 4% interest rate, permitting a principal amount of up to \$700,000, to purchase an HVAC system. Initially, payments consisted solely of interest until April 22, 2023, at which point the line of credit feature was discontinued and the note was converted into a term loan with a balance of \$578,713. Beginning May 22, 2023, both principal and interest payments commenced, continuing monthly until the loan's maturity on April 22, 2029. The loan is secured by the HVAC system.

As of December 31, 2023, the loan balance was \$521,293 with a total of \$21,973 paid in interest during 2023. Scheduled debt repayment on note payable at December 31, 2023 is as follows:

	Principal	Interest	Total
2024	\$ 89,097	\$ 19,552	\$ 108,649
2025	92,836	15,813	108,649
2026	96,672	11,977	108,649
2027	100,667	7,982	108,649
2028	104,812	3,837	108,649
Thereafter	37,209	321	37,530
	\$ 521,293	\$ 59,482	\$ 580,775

Note 9. 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 2023 and 2022, the Board of Directors approved \$145,418 and \$128,722 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.

Retina Foundation of the Southwest
Notes to Financial Statements (Parent Entity)
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Note 10. 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.

Note 11. 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, 2023 and 2022, 9% and 18%, respectively, of the total of government grants, contributions and other grants and special events revenue was received from the DHHS and 8% and 6%, respectively, of accounts and grants receivable and pledges receivable were outstanding from the DHHS as of December 31, 2023 and 2022. Of the contributions and non-DHHS grants and special events revenue, 15% and 6% was provided by one contributor in 2023 and 2022, respectively; and 9% and 14% of accounts and grants receivable and pledges receivable was from one grantor or clinical trial as of December 31, 2023 and 2022, respectively. 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, 2023 and 2022, cash balances exceed FDIC limits by approximately \$910,000 and \$1,180,000, 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.

Note 12. Related Party Transactions

In addition to the transactions discussed in Note 7, the Foundation contracted with TRA to provide research services and incurred \$127,252 and \$228,708 in expenses in 2023 and 2022, respectively and owed TRA \$5,000 and \$41,391 for these services as of December 31, 2023 and 2022, respectively. TRA also made \$24,000 contributions to the Foundation in both 2023 and 2022.

During 2023, the Foundation transferred \$1,764,989 to the RFSW Endowment, Inc. (the Endowment). The Endowment subsequently transferred endowment distributions totaling \$386,531 and \$399,985, in 2023 and 2022, respectively, back to the Foundation. The relationship between the Foundation and Endowment is more fully described in Note 14.

Retina Foundation of the Southwest
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Note 13. Nonprimary Beneficiary Holder of a Variable Interest in a Variable Interest Entity

As noted in Note 7, 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 \$62,726 and \$(18,934) at December 31, 2023 and 2022, 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:

	Year ended December 31,	
	2023	2022
Carrying amount:		
Land, building	\$ 3,654,273	\$ 3,654,273
Mortgage payable	-	-
	Year ended December 31,	
	2023	2022
Maximum exposure:		
50% of entire land, building	\$ 2,371,850	\$ 2,455,726
50% of entire mortgage payable	512,670	568,093

Retina Foundation of the Southwest
Notes to Financial Statements (Parent Entity)
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Note 14. 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, 2023:

	<u>Foundation</u>	<u>Endowment</u>	<u>Eliminations</u>	<u>Total</u>
Total assets	\$ 13,241,837	\$ 11,732,098	\$ -	\$ 24,973,935
Total liabilities	938,229	-	-	938,229
Net assets	<u>12,303,608</u>	<u>11,732,098</u>	<u>-</u>	<u>24,035,706</u>
Total liabilities and net assets	<u>\$ 13,241,837</u>	<u>\$ 11,732,098</u>	<u>-</u>	<u>\$ 24,973,935</u>
	<u>Foundation</u>	<u>Endowment</u>	<u>Eliminations</u>	<u>Total</u>
Total support and revenue	\$ 7,941,148	\$ 1,746,861	\$ (386,531)	9,301,478
Total expenses	6,130,950	828,186	(386,531)	6,572,605
Total transfers	<u>(1,764,989)</u>	<u>1,764,989</u>	<u>-</u>	<u>-</u>
Changes in net assets	45,209	2,683,664	-	2,728,873
Net assets, beginning of year	<u>12,258,399</u>	<u>9,048,434</u>	<u>-</u>	<u>21,306,833</u>
Net assets, end of year	<u>\$ 12,303,608</u>	<u>\$ 11,732,098</u>	<u>\$ -</u>	<u>\$ 24,035,706</u>

Retina Foundation of the Southwest
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As of and for the year ended December 31, 2022:

	<u>Foundation</u>	<u>Endowment</u>	<u>Eliminations</u>	<u>Total</u>
Total assets	\$ 13,298,686	\$ 9,048,434	\$ -	\$ 22,347,120
Total liabilities	1,040,287	-	-	1,040,287
Net assets	<u>12,258,399</u>	<u>9,048,434</u>	<u>-</u>	<u>21,306,833</u>
Total liabilities and net assets	<u>\$ 13,298,686</u>	<u>\$ 9,048,434</u>	<u>-</u>	<u>\$ 22,347,120</u>
	<u>Foundation</u>	<u>Endowment</u>	<u>Eliminations</u>	<u>Total</u>
Total support and revenue (loss)	\$ 5,699,927	\$ (1,598,296)	\$ (399,985)	\$ 3,701,646
Total expenses	5,597,150	431,181	(399,985)	5,628,346
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets	102,777	(2,029,477)	-	(1,926,700)
Net assets, beginning of year	<u>12,155,622</u>	<u>11,077,911</u>	<u>-</u>	<u>23,233,533</u>
Net assets, end of year	<u>\$ 12,258,399</u>	<u>\$ 9,048,434</u>	<u>\$ -</u>	<u>\$ 21,306,833</u>

Note 15. In-Kind Contributions

Contributed nonfinancial assets for the year ended December 31, 2023 consisted of legal services in the amount of \$23,488. There were no contributed nonfinancial assets for the year ended December 31, 2022. The Foundation recognized contributed nonfinancial assets within revenue, contributions and other grants. The legal services were valued at the dollar amount provided by the attorney who provided the services.