



**BrightFocus™
Foundation**

Cure in Mind. Cure in Sight.

Consolidated Financial Statements

For the Year Ended March 31, 2021

(With Summarized Financial Information for the Year Ended March 31, 2020)



**and
Report Thereon**



BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

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For the Year Ended March 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
BrightFocus Foundation and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of BrightFocus Foundation and Subsidiaries, which comprise the consolidated statement of financial position as of March 31, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the 2021 consolidated financial statements referred to above present fairly, in all material respects, the financial position of BrightFocus Foundation and Subsidiaries as of March 31, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter*Report on Prior Year Summarized Comparative Information*

We have previously audited BrightFocus Foundation and Subsidiaries' 2020 financial statements, and in our report dated June 26, 2020, we expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Washington, DC
July 8, 2021

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
March 31, 2021
(With Summarized Financial Information as of March 31, 2020)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,829,911	\$ 2,907,293
Short-term investments	621,981	269,981
Pledges receivable, current portion	192,500	200,000
Charitable remainder and lead trusts, current portion	2,392,062	1,185,000
Bequests receivable, current portion	2,575,912	953,554
Prepaid expenses and other current assets	249,267	144,793
Total Current Assets	9,861,633	5,660,621
Investments	43,404,279	33,795,346
Pledges receivable, net of current portion	-	95,465
Bequests receivable, net of current portion	19,984	33,916
Charitable remainder and lead trusts, net of current portion	4,789,999	6,137,062
Property and equipment, net	4,111,830	3,835,927
Rental property	3,719,149	3,760,929
Other assets	569,875	668,715
TOTAL ASSETS	\$ 66,476,749	\$ 53,987,981
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 911,542	\$ 672,973
Contract liability	-	39,675
Research grants payable, current portion	13,280,010	12,155,372
Charitable gift annuities, current portion	147,730	155,296
Total Current Liabilities	14,339,282	13,023,316
Research grants payable, net of current portion	18,338,952	14,692,020
Charitable gift annuities, net of current portion	726,839	802,177
Other liabilities	36,959	77,304
TOTAL LIABILITIES	33,442,032	28,594,817
Net Assets		
Without donor restrictions	15,708,243	8,878,593
With donor restrictions	17,326,474	16,514,571
TOTAL NET ASSETS	33,034,717	25,393,164
TOTAL LIABILITIES AND NET ASSETS	\$ 66,476,749	\$ 53,987,981

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

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2021
(With Summarized Financial Information for the Year Ended March 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
REVENUE AND SUPPORT				
Contributions and grants	\$ 555,823	\$ 32,630,503	\$ 33,186,326	\$ 29,868,260
Donated goods and services	-	10,280,294	10,280,294	16,266,962
Bequests	237,528	14,095,629	14,333,157	5,652,255
Investment income (loss), net	9,590,559	-	9,590,559	(1,819,602)
Rental income, net	-	591,018	591,018	649,651
Gain from debt extinguishment	982,990	-	982,990	-
Other	-	944,967	944,967	716,050
Special events	-	-	-	256,860
Less: cost of direct benefit to attendees	-	-	-	(284,922)
Special events, net	-	-	-	(28,062)
Net assets released from restrictions:				
Satisfaction of program restrictions	57,730,508	(57,730,508)	-	-
TOTAL REVENUE AND SUPPORT	69,097,408	811,903	69,909,311	51,305,514
EXPENSES				
Program Services:				
Research	30,690,528	-	30,690,528	23,155,165
Health Information Services	19,595,205	-	19,595,205	24,532,216
Total Program Services	50,285,733	-	50,285,733	47,687,381
Supporting Services:				
Fundraising	8,392,585	-	8,392,585	8,054,457
Management and general	3,589,440	-	3,589,440	3,448,921
Total Supporting Services	11,982,025	-	11,982,025	11,503,378
TOTAL EXPENSES	62,267,758	-	62,267,758	59,190,759
CHANGE IN NET ASSETS	6,829,650	811,903	7,641,553	(7,885,245)
NET ASSETS, BEGINNING OF YEAR	8,878,593	16,514,571	25,393,164	33,278,409
NET ASSETS, END OF YEAR	\$ 15,708,243	\$ 17,326,474	\$ 33,034,717	\$ 25,393,164

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

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2021
(With Summarized Financial Information for the Year Ended March 31, 2020)

	Program Services			Supporting Services			2021 Total	2020 Total
	Research	Health Information Services	Total Program Services	Fundraising	Management and General	Total Supporting Services		
Grants	\$ 25,263,596	\$ -	\$ 25,263,596	\$ -	\$ -	\$ -	\$ 25,263,596	\$ 18,144,660
Printing, publications and media	764,914	12,796,487	13,561,401	2,245,757	328,223	2,573,980	16,135,381	21,106,596
Postage and delivery	40,035	3,399,830	3,439,865	2,852,172	466,154	3,318,326	6,758,191	6,232,214
Salaries and related expenses	2,709,674	698,292	3,407,966	867,928	1,742,589	2,610,517	6,018,483	5,472,397
Computer and mailing services	482,113	1,059,245	1,541,358	845,122	290,934	1,136,056	2,677,414	2,440,528
Professional fees	601,136	729,092	1,330,228	764,209	144,923	909,132	2,239,360	2,227,779
Mailing list rental	-	714,742	714,742	620,012	74,426	694,438	1,409,180	1,302,395
Office-related expenses	224,731	58,968	283,699	61,389	244,572	305,961	589,660	637,509
Occupancy and utilities	231,553	76,334	307,887	49,222	163,660	212,882	520,769	466,668
Depreciation and amortization	137,537	45,528	183,065	35,625	137,469	173,094	356,159	387,504
Travel, meetings and symposia	235,239	16,687	251,926	51,149	2,882	54,031	305,957	1,064,099
Total Expenses by Function	30,690,528	19,595,205	50,285,733	8,392,585	3,595,832	11,988,417	62,274,150	59,482,349
Less expenses shown net of revenue and support on statement of activities	-	-	-	-	(6,392)	(6,392)	(6,392)	(291,590)
Total Expenses Included in the Expense Section on the Statement of Activities	\$ 30,690,528	\$ 19,595,205	\$ 50,285,733	\$ 8,392,585	\$ 3,589,440	\$ 11,982,025	\$ 62,267,758	\$ 59,190,759

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

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2021
(With Summarized Financial Information for the Year Ended March 31, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,641,553	\$ (7,885,245)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	356,159	387,504
Realized losses (gains) on investments	(904,458)	196,910
Unrealized losses (gains) on investments	(8,115,799)	2,372,913
Fair value gain on charitable remainder and lead trusts	(1,046,697)	(818,297)
Change in present value of gift annuity liabilities	(29,654)	(7,557)
Gain from debt extinguishment	(982,990)	-
Changes in assets and liabilities:		
Pledges receivable	102,965	(75,465)
Charitable remainder and lead trusts	1,186,698	1,258,297
Bequests receivable	(1,608,426)	(202,510)
Prepaid expenses and other current assets	(104,474)	46,795
Other assets	98,840	98,840
Accounts payable and accrued expenses	247,059	98,482
Contract liability	(39,675)	(76,655)
Research grants payable	4,771,570	3,031,747
Other liabilities	(40,345)	(71,156)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,532,326	(1,645,397)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	15,518,542	13,268,459
Purchases of investments	(16,459,218)	(12,510,108)
Purchases of property and equipment	(590,282)	(217,020)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(1,530,958)	541,331
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	974,500	-
Contributions invested for gift annuity purposes	97,000	91,603
Payments to charitable gift annuitants	(150,250)	(186,921)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	921,250	(95,318)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	922,618	(1,199,384)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,907,293	4,106,677
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,829,911	\$ 2,907,293

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

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended March 31, 2021

1. Organization and Summary of Significant Accounting Policies

Organization

BrightFocus Foundation is a not-for-profit organization that was incorporated in the District of Columbia in 1973 under the name American Health Assistance Foundation. The name BrightFocus Foundation with the associated tagline, "Cure in Mind. Cure in Sight.", was chosen in 2013 to better communicate the organization's renewed and urgent mission to fund exceptional scientific research worldwide to defeat Alzheimer's disease, macular degeneration, and glaucoma and provide expert information on these heartbreaking diseases.

BrightFocus Foundation's Health Information Services and Research programs are funded primarily by contributions and grants from individuals which are used for the three core programs: Alzheimer's Disease Research, Macular Degeneration Research and National Glaucoma Research.

National Development, LLC (NDLLC) is a limited liability company created by BrightFocus Foundation and incorporated in Maryland in 1999. NDLLC was organized to acquire, own, invest in, develop, hold, operate, manage, lease, sell, mortgage and/or lease property, including the construction and operation of a commercial building on land donated to the BrightFocus Foundation.

American Health Assistance, LLC (AHALLC) is a limited liability company created by the BrightFocus Foundation and incorporated in Maryland in 2000. AHALLC owns the land and building on the property where BrightFocus Foundation is located. AHALLC was organized to operate the building on the property.

Principles of Consolidation

The consolidated financial statements include BrightFocus Foundation and its wholly owned subsidiaries, NDLLC and AHALLC (collectively referred to as BrightFocus). All intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

BrightFocus considers highly liquid money market funds to be cash equivalents.

Investments

Investments are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Unrealized gains or losses on investments are determined by the change in fair value at the beginning and end of the reporting period and included in investment income in the accompanying consolidated statement of activities. Realized gains and losses on sales of investments are computed on an average cost method and are recorded on the trade date of the transaction and included in investment income in the accompanying consolidated statement of activities.

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended March 31, 2021

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurement

In accordance with the accounting standards for fair value measurement for those assets and liabilities that are measured at fair value on a recurring basis, BrightFocus has categorized its applicable financial instruments into a required fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby the market participant assumptions are developed based on market data obtained from independent sources, or unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs based on quoted prices in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

Property and Equipment and Related Depreciation and Amortization

Property and equipment includes the land and building where BrightFocus is located, as well as other property and equipment, and is stated at cost. The building of BrightFocus is being depreciated using the straight-line method over an estimated useful life of 39 years. Office furniture and equipment, automobile, and computer equipment and software are being depreciated using the straight-line method over useful lives of three to five years. BrightFocus capitalizes property and equipment with a cost of \$2,000 or more and an economic life in excess of one year. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of the assets, the cost and accumulated depreciation and amortization are eliminated from the respective accounts and the resulting gain or loss is included in revenue and support or expenses.

Rental Property

Rental property consists of land located in Norfolk, Virginia, that was donated to BrightFocus in June 1999 on which there are long-term ground leases and a building received from a tenant by default of lease terms in March 2002. The property cannot be sold until 2023, and the net proceeds from rents and any future sales are restricted to the National Glaucoma Research program. The land was recorded based on its appraised value at the date of donation. The building was recorded at fair value on the date title was assumed and is being depreciated using the straight-line method over an estimated useful life of 39 years.

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended March 31, 2021

1. Organization and Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

BrightFocus reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no impairment losses recognized for the year ended March 31, 2021.

Research Grants

Research grants are recognized as expenses when the Board of Directors awards the grant and determines that it is probable that the grant conditions will be met. Grants awarded by the Board of Directors are often paid over several years. Amounts awarded but unpaid as of the end of the fiscal year are accrued as research grants payable in the accompanying consolidated financial statements.

Classification of Net Assets

BrightFocus' net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of BrightFocus at the discretion of BrightFocus' management and the Board of Directors.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for specific periods of time. These donor restrictions can be temporary in nature in that they will be met by actions of BrightFocus or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Revenue Recognition

Unconditional contributions and grants are recorded as revenue and support when received or unconditionally promised. Wills are recorded as bequests revenue when the probate courts declare the wills valid and the proceeds are measurable. In cases in which a will's approval is required by state government authorities, bequests revenue is recognized after final approval. Irrevocable split-interest agreements, including charitable remainder trusts, charitable lead trusts and perpetual trusts, are recorded as revenue and support when the trust agreements are executed. Revenue from split-interest agreements is based on the present value of the expected cash flows to be received by BrightFocus.

BrightFocus reports unconditional gifts of cash and other assets as donor restricted revenue and support if they are received with donor stipulations that limit the use of the donated assets to one of the three programs of BrightFocus. When a donor restriction expires, that is, when the purpose of the restriction is accomplished or when a stipulated time restriction ends, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statement of activities as net assets released from restrictions.

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended March 31, 2021

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

BrightFocus records the excess of cash received for special events over the cost of direct benefits to donors as contribution revenue when unconditionally pledged.

Rental income is recognize as revenue on a straight-line basis over the life of the lease.

Gain on debt extinguishment is recognized at the point in time when the debt is forgiven by the lender.

Other income consists of mailing list royalty income and returned grants. Mailing list royalty income is recognized as revenue at the point in time when payment is received from the third party. Return of previously granted funds are recognized as other income when received.

Donated Goods and Services

Donated goods and services represent the value of donated public service announcements and are recorded as contributions at their estimated fair value as of the date of donation.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Expenses directly attributed to a specific functional area of BrightFocus are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. Occupancy expense is allocated based on square footage, joint costs are allocated based on the relevant materials, and other shared costs such as personnel, finance and technology are allocated based on time review.

Accordingly, certain costs have been allocated among the programs and supporting services benefited. Where both program and fundraising materials are developed, printed, and mailed jointly, management allocates a portion of the related costs among Health Information Services, Research, management and general, and fundraising expense, based on the related materials.

The programs and supporting services are described as follows:

Health Information Services – Expenses incurred to further the vision of BrightFocus for a world free from diseases of mind and sight through educating the general population about potential causes, treatments, preventions and cures and encouraging the public to participate in the program outreach of BrightFocus, which includes the following:

Risk Factors and Symptom Recognition – Establishing and increasing public awareness of the risk factors and symptoms of diseases affecting mind and sight, and the actions the public can or should take to reduce risk and in response to such symptoms.

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

1. Organization and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses (continued)

Lifestyle Choices – Establishing and increasing public awareness of lifestyle choices that promote good health and the actions that the public can or should take to reduce the likelihood of the onset of diseases affecting mind and sight.

Societal Information and Managing the Diseases – Increasing public awareness of current preventative measures, research and treatments which may reduce the risks and control diseases affecting mind and sight. In addition, increasing public awareness of the actions that can be taken to assist victims of diseases affecting mind and sight, their families, and their caregivers.

Research – Expenses incurred to facilitate research and investigation seeking causes, treatment and cures of diseases affecting mind and sight.

Fundraising – Expenses incurred for the purpose of raising funds.

Management and general – All other operating expenses incurred by BrightFocus in the accomplishment of its tax-exempt purposes.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Investments

Investments consisted of the following as of March 31, 2021:

Short-term investments:	
Money market funds	<u>\$ 621,981</u>
Long-term investments:	
Equity mutual funds	16,866,877
Corporate bonds	6,586,380
Structured notes	5,043,707
Domestic marketable equity securities	4,401,433
Government-sponsored entity bonds	4,310,723
Fixed-income mutual funds	3,750,538
Mortgage and asset-backed securities	1,204,982
Equity exchange-traded fund	938,520
Fixed-income exchange traded fund	<u>301,119</u>
Total Long-Term Investments	<u>43,404,279</u>
Total Investments	<u>\$ 44,026,260</u>

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

2. Investments (continued)

A summary of investment income is as follows for the year ended March 31, 2021:

Interest and dividends	\$ 864,218
Realized gains, net	904,458
Unrealized gains, net	8,115,799
Management fees	<u>(293,916)</u>
Investment Income, Net	<u>\$ 9,590,559</u>

3. Pledges Receivable

Pledges receivable represent unconditional promises to give and are recorded at net realizable value. As of March 31, 2021, pledges receivable totaled \$192,500 and are expected to be received by BrightFocus within the next year.

4. Bequests and Trusts Receivable

As of March 31, 2021, bequests receivable totaled \$2,595,895 and consisted of unconditional wills and trusts. Charitable lead and remainder trust agreements, which are irrevocable, are administered by a trustee or fiscal agent. Distributions are to be made to BrightFocus (lead trusts) or to the donor's designee (remainder trusts) during the terms of the agreements, which vary in length up to an estimated maximum of 13 years from March 31, 2021. At the end of the terms, a portion of the remaining trust assets, as defined in the trust agreements, are to be distributed to BrightFocus.

The expected future cash inflows from the trusts have been recorded at present value based on a discount rate of 3.25%, resulting in a total receivable of \$7,182,062. For the year ended March 31, 2021, the change in value of these split-interest agreements resulted in a gain of \$1,046,697, primarily due to the increase in the fair value of the investments, and this gain is included in bequests revenue in the accompanying consolidated statement of activities.

As of March 31, 2021, bequests and trusts were expected to be received as follows:

Less than one year	\$ 4,967,974
One to five years	3,232,136
More than five years	<u>2,260,000</u>
Total Bequests and Trusts Receivable	10,460,110
Less: Discount to Net Present Value	<u>(682,513)</u>
Bequests and Trusts Receivable, Net	<u>\$ 9,777,957</u>

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2021

4. Bequests and Trusts Receivable (continued)

BrightFocus is also the recipient of beneficial interests in portions of two trusts for which the principal must remain intact in perpetuity and only the earnings are to be spent. The value of the trusts is \$302,000, which is included in other assets in the accompanying consolidated statement of financial position.

In addition, as of March 31, 2021, BrightFocus was aware of approximately \$500,000 of wills and trusts which, as of the end of the fiscal year, had not received final approval by state authorities or had other unmet conditions and, therefore, are not recognized as receivables or revenue and support in the accompanying consolidated financial statements.

5. Charitable Gift Annuities

BrightFocus has charitable gift annuity agreements with individuals. Under the terms of the agreements, BrightFocus receives cash, which can be donor-designated for one of three disease-related programs, in exchange for a survivor annuity agreement. BrightFocus is obligated to make monthly, quarterly, semi-annual or annual payments for each individual's lifetime. BrightFocus records the liability at the present value of the expected future cash flows based on the donor's life expectancy.

As of March 31, 2021, the present value of the annuity payments totaled \$874,569, which is based on various life expectancies and has an expected rate of return of 1.1% to 8%. Of the total annuity liability, \$147,730 is scheduled for payment within the next year, with the remaining balance of \$726,839 payable in subsequent years. The liability is funded by investments of BrightFocus. In addition, various state laws require BrightFocus to maintain additional reserves for the charitable annuities. As of March 31, 2021, BrightFocus had \$2,333,186 in segregated accounts invested in equity and fixed-income mutual funds, corporate bonds and money market funds for the payment of these liabilities, which includes the additional reserves required by the various state laws.

During the year ended March 31, 2021, BrightFocus received \$97,000 in gift annuities.

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2021

6. Fair Value Measurement

The following table summarizes the assets of BrightFocus measured at fair value on a recurring basis as of March 31, 2021:

<u>Assets</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Charitable remainder and lead trusts	\$ 7,182,061	\$ -	\$ -	\$ 7,182,061
Perpetual trust	302,000	-	-	302,000
Investments:				
Money market funds	621,981	621,981	-	-
Equity mutual funds:				
Real estate fund	539,246	539,246	-	-
Large cap blend	16,327,631	16,327,631	-	-
Total Equity Mutual Funds	16,866,877	16,866,877	-	-
Corporate bonds	6,586,380	-	6,586,380	-
Structured notes	5,043,707	-	5,043,707	-
Domestic marketable equity securities:				
Consumer staples	67,799	67,799	-	-
Information technology	1,348,616	1,348,616	-	-
Consumer discretionary	931,479	931,479	-	-
Health care	623,220	623,220	-	-
Industrial	305,816	305,816	-	-
Financial	279,501	279,501	-	-
Energy and utilities	138,622	138,622	-	-
Materials	138,631	138,631	-	-
Real estate	567,749	567,749	-	-
Total Domestic Marketable Equity Securities	4,401,433	4,401,433	-	-
Government-sponsored entity bonds	4,310,723	-	4,310,723	-
Fixed-income mutual funds	3,750,538	3,750,538	-	-

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

6. Fair Value Measurement (continued)

<i>(Continued)</i> Assets	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments (continued):				
Mortgage and asset-backed securities	\$ 1,204,982	\$ -	\$ 1,204,982	\$ -
Equity exchange-traded fund	938,520	938,520	-	-
Fixed-income exchange-traded fund	301,119	301,119	-	-
Total Investments	44,026,260	26,880,468	17,145,792	-
Total Assets	\$ 51,510,321	\$ 26,880,468	\$ 17,145,792	\$ 7,484,061

BrightFocus used the following methods and significant assumptions to estimate fair value for assets measured at fair value:

Charitable remainder, lead and perpetual trust agreements – The expected future cash inflows from the charitable lead and remainder trusts are based on the fair value of the investments, future expected investment returns, and the life expectancy of the donor or donor’s designee and have been recorded at present value based on a discount rate of 3.25%. The perpetual trusts are recorded at the present value of the future distributions expected to be received over the terms of the agreements. The value of these trusts is based on unobservable inputs and is classified within Level 3 of the fair value hierarchy.

Money market funds, equity and fixed-income mutual funds and exchange-traded funds, corporate bonds, structured notes, domestic marketable equity securities, government-sponsored entity bonds, and mortgage and asset-backed securities – Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market funds, domestic marketable equity securities, and equity and fixed-income mutual funds. If quoted market prices are not available, then fair values are estimated using pricing models, such as matrix pricing, quoted prices of securities with similar characteristics or discounted cash flows. These instruments, which would generally be classified within Level 2 of the valuation hierarchy, include government-sponsored entity bonds, mortgage and asset-backed securities, corporate bonds, and structured notes linked to the performance of stock indices.

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2021

7. Property and Equipment

Property and equipment was as follows as of March 31, 2021:

Land	\$ 1,147,363
Buildings	5,240,525
Computer equipment and software	1,283,749
Office equipment	364,423
Office furniture	229,198
Automobile	<u>20,500</u>
Total Property and Equipment	8,285,758
Less: Accumulated Depreciation and Amortization	<u>(4,173,928)</u>
Property and Equipment, Net	<u>\$ 4,111,830</u>

Depreciation and amortization expense totaled \$356,159 for the year ended March 31, 2021, which includes depreciation of the rental property of \$41,779.

8. Rental Property

Rental property consists of land located in Norfolk, Virginia, that was donated to BrightFocus in June 1999. The land was valued at \$2,800,000 at the time of donation and includes buildings and triple-net ground leases for commercial space to various third parties. The terms of the lease agreements end on various dates through 2026, with extensions up to 75 years, including renewal options. The buildings located on the leased properties will become the property of BrightFocus at the end of the leases. The rental property includes a building obtained by a default on a lease in 2002, which had a value of \$1,629,400 at the time of default with accumulated depreciation of \$710,251 as of March 31, 2021. Rental income earned, net of associated expenses of \$6,392, totaled \$591,018 for the year ended March 31, 2021. Under GAAP, all fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between the income recognized and cash flow from the rental payments is reflected as deferred rent receivable, which totaled \$267,875 as of March 31, 2021, and is included in other assets in the accompanying consolidated statement of financial position.

As of March 31, 2021, the future minimum rentals were as follows:

For the Year Ending March 31,	
<u>2022</u>	\$ 733,048
2023	733,272
2024	581,505
2025	37,685
2026	<u>12,106</u>
Total	<u>\$ 2,097,616</u>

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2021

9. Research Grants

BrightFocus awards annual research grants that cover periods of one to three fiscal years. As of March 31, 2021, \$31,618,962 was payable for research grants that have been awarded by the Board of Directors. Of the total grants payable, \$13,280,010 has been scheduled for payment by BrightFocus within the next year, with the remaining balance of \$18,338,952 (net of the present value discount of \$20,352) due to be paid out no later than fiscal year 2025. The average discount rate used was 0.19%.

10. PPP Loan

In April 2020, BrightFocus received Small Business Administration (SBA) loan proceeds in the amount of \$974,500 from a financial institution. The loan had a fixed interest rate of 1% per annum and payments of principal and interest were deferred during the first six months of the loan. The loan amount was eligible for forgiveness, pursuant to the Paycheck Protection Program (PPP). On March 4, 2021, SBA approved BrightFocus' application for forgiveness of the PPP loan of \$974,500 and accrued interest of \$8,490, and BrightFocus recognized \$982,990 in gain on debt extinguishment.

11. Line of Credit

In April 2020, BrightFocus entered into an unsecured \$5,000,000 line of credit agreement with a maturity of March 31, 2021. The interest rate is based on the lender's prime rate, which is 3.25% as of March 31, 2021. There were no borrowings from this line of credit during the year ended March 31, 2021. On March 30, 2021, the maturity date was extended to March 31, 2022. All other terms of the line of credit agreement remain the same.

12. COVID-19

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. BrightFocus has been able to continue most of its operations in a remote environment; however, at this point, the extent to which COVID-19 may impact BrightFocus' financial condition or results of operations is uncertain.

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended March 31, 2021

13. Net Assets With Donor Restrictions

As of March 31, 2021, net assets with donor restrictions were restricted for the following purposes:

Subject to expenditure for future periods	\$ 51,131
Subject to expenditure for specified purpose:	
Alzheimer's Disease Research	7,736,459
Macular Degeneration Research	5,315,810
National Glaucoma Research	<u>3,921,074</u>
Total Subject to Expenditure for Specified Purpose	16,973,343
Subject to donor restriction in perpetuity:	
Alzheimer's Disease Research – Perpetual Trusts	<u>302,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 17,326,474</u>

BrightFocus has recorded \$302,000 that consist of shares of two perpetual trusts which are included in other assets in the accompanying consolidated statement of financial position. These perpetual trusts are held as permanent endowments. The earnings on these endowments are available for Alzheimer's Disease Research programs and are recorded as donor restricted investment income and released as spent.

14. Availability of Resources and Liquidity

BrightFocus regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to preserve the principal and return on the investment of its funds. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, state required annuity reserves, and perpetual trusts. BrightFocus' financial assets available within one year of the statement of financial position date for general expenditures at March 31, 2021, are as follows:

Cash and cash equivalents	\$ 3,829,911
Pledges receivable, current portion	192,500
Charitable remainder and lead trusts, current portion	2,392,062
Bequests receivable, current portion	2,575,912
Investments	<u>44,026,260</u>
Total Financial Assets Available Within One Year	53,016,645
Less:	
Amounts unavailable for general expenditures within one year due to:	
Restricted by donors with purpose restrictions	(8,469,603)
Amounts unavailable to management:	
Investments held in state required annuity reserves	<u>(2,333,186)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 42,213,856</u>

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended March 31, 2021

14. Availability of Resources and Liquidity (continued)

BrightFocus has various sources of liquidity at its disposal, including cash and cash equivalents and investments which are available for general expenditures, liabilities and other obligations as they come due. Management is focused in sustaining the financial liquidity of BrightFocus throughout the year. This is done through monitoring and reviewing BrightFocus' cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of BrightFocus' cash flow related to BrightFocus' various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in publicly traded investment vehicles, including mutual funds, fixed income and equity securities. BrightFocus can liquidate its investments anytime and therefore the investments are available to meet current cash flow needs.

15. Donated Goods and Services

Radio and televised public service announcement airtime has been donated to BrightFocus to educate the general public about potential causes, treatments, prevention and cures of diseases affecting mind and sight and encourage the public to participate in BrightFocus program outreach. The fair value of the public service announcements totaled \$10,280,294 for the year ended March 31, 2021, and is included in donated goods and services revenue in the accompanying consolidated statement of activities and in printing, publications and media expenses for the Health Information Services program in the accompanying consolidated statement of functional expenses. Public service announcements are valued based on the number of times the announcements are played and the period in which the advertisements are aired at the television or radio station's equivalent advertising rate charged to paying customers.

16. Program Activities

For the year ended March 31, 2021, BrightFocus had expenditures for the following disease-related purposes in its two program activities, Health Information Services and Research:

	<u>Research</u>	<u>Health Information Services</u>	<u>Total</u>
Alzheimer's Disease Research	\$ 17,123,973	\$ 11,998,527	\$ 29,122,500
Macular Degeneration Research	8,451,387	4,933,123	13,384,510
National Glaucoma Research	<u>5,115,168</u>	<u>2,663,555</u>	<u>7,778,723</u>
Total Program Services	<u>\$ 30,690,528</u>	<u>\$ 19,595,205</u>	<u>\$ 50,285,733</u>

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2021

17. Allocation of Joint Costs

BrightFocus conducts direct mail programs that include fundraising appeals and education materials on diseases affecting mind and sight. In addition, the direct mail programs encourage the public to make lifestyle choices to reduce the likelihood of the onset of diseases affecting mind and sight, and to take action to assist others who are affected by these diseases. For the year ended March 31, 2021, these activities included joint costs of \$14,155,229, which are included in printing, publications and media; postage and delivery; computer and mailing services; professional fees; and mailing list rental in the accompanying consolidated statement of functional expenses.

The joint costs have been allocated as follows:

Health Information Services	\$ 6,674,273
Fundraising	6,530,262
Management and general	<u>950,694</u>
Total Joint Costs	<u>\$ 14,155,229</u>

18. Employment Agreement

BrightFocus has entered into an employment agreement with its President and Chief Executive Officer for a four-year term continuing through April 30, 2023. The agreement provides for automatic two-year extensions after the initial term expires and one year of compensation and benefits should the President and Chief Executive Officer be terminated without cause.

19. Pension Plans

BrightFocus sponsors a money purchase pension plan (MPP), which covers all full-time employees who have completed at least one year of service. BrightFocus makes contributions to the MPP based on years of service of the participant as follows: 3% after one year of service, 6% after two years of service and 9% after three or more years of service. BrightFocus employees are 25% vested in the MPP after one year of service, 50% after two years of service, 75% after three years of service and are fully vested after four years of service. Total contributions by BrightFocus to the MPP totaled \$297,240 for the year ended March 31, 2021.

BrightFocus also sponsors a defined-contribution annuity plan (the 403(b) plan). BrightFocus employees may elect to have tax-deferred amounts of their pay withheld and contributed to the 403(b) plan, subject to the maximum employee contribution limits determined by the Internal Revenue Service. There were no contributions from BrightFocus to the 403(b) plan for the year ended March 31, 2021.

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended March 31, 2021

20. Income Taxes

BrightFocus is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes was required for the year ended March 31, 2021, as BrightFocus had no net unrelated business income. NDLLC and AHALLC are treated as disregarded entities for tax purposes and their financial activities are therefore included in the tax return of BrightFocus.

BrightFocus reviews and assesses all activities annually to identify any changes in the scope of its activities and revenue sources and the tax treatment thereof, to identify any uncertainty in income taxes. BrightFocus performed an evaluation of uncertainty in income taxes for the year ended March 31, 2021, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of March 31, 2021, the statute of limitations remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which BrightFocus files tax returns; however, there are currently no examinations pending or in progress. It is the policy of BrightFocus to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of March 31, 2021, BrightFocus had no accruals for interest and/or penalties.

21. Prior Year Summarized Financial Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or functional area. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the organization's consolidated financial statements for the year ended March 31, 2020, from which the summarized information was derived.

22. Subsequent Events

In preparing these consolidated financial statements, BrightFocus has evaluated events and transactions for potential recognition or disclosure through July 8, 2021, the date the consolidated financial statements were available to be issued. There were no subsequent events identified that are required to be disclosed in these consolidated financial statements.