



**BrightFocus™
Foundation**

Cure in Mind. Cure in Sight.

Consolidated Financial Statements

For the Year Ended March 31, 2023

(With Summarized Financial Information for the Year Ended March 31, 2022)



**and
Report Thereon**



BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

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For the Year Ended March 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
BrightFocus Foundation and Subsidiaries

Opinion

We have audited the consolidated financial statements of the BrightFocus Foundation and Subsidiaries (collectively referred to as BrightFocus), which comprise the consolidated statement of financial position as of March 31, 2023, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of BrightFocus as of March 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities 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 BrightFocus and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

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 BrightFocus' ability to continue as a going concern within 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 BrightFocus' 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 BrightFocus' 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.

Report on Summarized Comparative Information

We have previously audited BrightFocus' 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated June 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Marcum LLP

Washington, DC
July 25, 2023

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
March 31, 2023
(With Summarized Financial Information as of March 31, 2022)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,505,759	\$ 4,791,179
Short-term investments	589,148	287,887
Pledges receivable, current portion	350,000	-
Charitable lead trusts, current portion	920,000	1,060,000
Bequests receivable, current portion	1,558,891	971,417
Prepaid expenses and other current assets	267,567	359,391
Total Current Assets	7,191,365	7,469,874
Investments	39,542,541	45,203,665
Pledges receivable, net of current portion	324,075	-
Bequests receivable, net of current portion	-	2,275
Charitable lead trusts, net of current portion	3,060,000	4,210,000
Property and equipment, net	4,492,688	4,483,745
Rental property	3,635,591	3,677,370
Other assets	380,217	494,035
TOTAL ASSETS	\$ 58,626,477	\$ 65,540,964
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,135,271	\$ 724,991
Contract liability	116,500	148,500
Research grants payable, current portion	18,597,837	14,146,206
Charitable gift annuities, current portion	94,925	123,103
Total Current Liabilities	19,944,533	15,142,800
Research grants payable, net of current portion	14,522,088	20,719,645
Charitable gift annuities, net of current portion	489,617	632,971
Other liabilities	108,471	25,673
TOTAL LIABILITIES	35,064,709	36,521,089
Net Assets		
Without donor restrictions	10,360,299	13,864,090
With donor restrictions	13,201,469	15,155,785
TOTAL NET ASSETS	23,561,768	29,019,875
TOTAL LIABILITIES AND NET ASSETS	\$ 58,626,477	\$ 65,540,964

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, 2023
(With Summarized Financial Information for the Year Ended March 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
REVENUE AND SUPPORT				
Contributions and grants	\$ 670,491	\$ 35,826,527	\$ 36,497,018	\$ 36,802,838
Donated services	-	25,308,680	25,308,680	12,439,938
Bequests	475,090	6,236,929	6,712,019	9,719,572
Other	-	1,524,510	1,524,510	976,704
Rental income, net	-	565,621	565,621	584,767
Investment income (loss), net	(2,741,094)	6,368	(2,734,726)	1,287,397
Special events	294,801	11,497	306,298	-
Less: cost of direct benefit to attendees	(346,131)	-	(346,131)	-
Net assets released from restrictions:				
Satisfaction of program restrictions	71,434,448	(71,434,448)	-	-
TOTAL REVENUE AND SUPPORT	69,787,605	(1,954,316)	67,833,289	61,811,216
EXPENSES				
Program Services:				
Health Information Services	38,005,429	-	38,005,429	23,619,778
Research	19,470,768	-	19,470,768	28,633,350
Total Program Services	57,476,197	-	57,476,197	52,253,128
Supporting Services:				
Fundraising	11,444,899	-	11,444,899	9,847,110
Management and general	4,370,300	-	4,370,300	3,725,820
Total Supporting Services	15,815,199	-	15,815,199	13,572,930
TOTAL EXPENSES	73,291,396	-	73,291,396	65,826,058
CHANGE IN NET ASSETS	(3,503,791)	(1,954,316)	(5,458,107)	(4,014,842)
NET ASSETS, BEGINNING OF YEAR	13,864,090	15,155,785	29,019,875	33,034,717
NET ASSETS, END OF YEAR	\$ 10,360,299	\$ 13,201,469	\$ 23,561,768	\$ 29,019,875

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, 2023
(With Summarized Financial Information for the Year Ended March 31, 2022)

	Program Services			Supporting Services			2023 Total	2022 Total
	Health Information Services	Research	Total Program Services	Fundraising	Management and General	Total Supporting Services		
Printing, publications and media	\$ 29,273,493	\$ 480,427	\$ 29,753,920	\$ 3,913,046	\$ 502,248	\$ 4,415,294	\$ 34,169,214	\$ 19,548,102
Grants	-	14,054,439	14,054,439	-	-	-	14,054,439	23,289,223
Postage and delivery	3,936,782	50,377	3,987,159	3,523,604	569,907	4,093,511	8,080,670	7,801,482
Salaries and related expenses	1,167,758	2,404,922	3,572,680	974,880	1,860,183	2,835,063	6,407,743	5,760,609
Computer and mailing services	1,348,168	407,017	1,755,185	1,031,780	304,492	1,336,272	3,091,457	3,180,124
Professional fees	1,022,644	710,129	1,732,773	984,873	264,221	1,249,094	2,981,867	2,544,625
Mailing list rental	778,978	-	778,978	717,264	86,424	803,688	1,582,666	1,700,156
Travel, meetings and symposia	86,579	746,525	833,104	80,621	111,621	192,242	1,025,346	547,859
Office-related expenses	147,448	258,665	406,113	108,143	332,395	440,538	846,651	590,970
Occupancy and utilities	138,216	204,951	343,167	54,708	191,025	245,733	588,900	523,386
Depreciation and amortization	105,363	153,316	258,679	55,980	176,905	232,885	491,564	350,008
Total Expenses by Function	38,005,429	19,470,768	57,476,197	11,444,899	4,399,421	15,844,320	73,320,517	65,836,544
Less expenses shown net of revenue and support on statement of activities	-	-	-	-	(29,121)	(29,121)	(29,121)	(10,486)
Total Expenses Included in the Expense Section on the Statement of Activities	\$ 38,005,429	\$ 19,470,768	\$ 57,476,197	\$ 11,444,899	\$ 4,370,300	\$ 15,815,199	\$ 73,291,396	\$ 65,826,058

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, 2023
(With Summarized Financial Information for the Year Ended March 31, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (5,458,107)	\$ (4,014,842)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	491,564	350,008
Realized losses (gains) on investments	1,150,453	(2,205,722)
Unrealized losses on investments	2,139,405	1,605,810
Changes in fair value of charitable lead trusts	230,515	(669,431)
Change in present value of charitable gift annuities	(91,235)	(109,202)
Changes in assets and liabilities:		
Pledges receivable	(674,075)	192,500
Charitable lead trusts	1,059,485	2,581,492
Bequests receivable	(585,199)	1,622,204
Prepaid expenses and other current assets	91,824	(110,124)
Other assets	113,818	75,840
Accounts payable and accrued expenses	388,822	(186,551)
Contract liability	(32,000)	148,500
Research grants payable	(1,745,926)	3,246,889
Other liabilities	(11,712)	(11,286)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(2,932,368)	2,516,085
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	13,781,625	19,429,235
Purchases of investments	(11,410,359)	(20,628,619)
Purchases of property and equipment	(342,760)	(680,144)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	2,028,506	(1,879,528)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions invested for gift annuity purposes	20,000	125,000
Payments to charitable gift annuitants	(100,297)	(134,293)
NET CASH USED IN FINANCING ACTIVITIES	(80,297)	(9,293)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(984,159)	627,264
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,079,066	4,451,802
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,094,907	\$ 5,079,066
RECONCILIATION OF CASH AND CASH EQUIVALENTS, AS PRESENTED ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 3,505,759	\$ 4,791,179
Short-term investments - money market funds	589,148	287,887
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,094,907	\$ 5,079,066
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Equipment acquired under a finance lease	\$ 115,968	\$ -

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, 2023

1. Organization and Summary of Significant Accounting Policies

Organization

The 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 the 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 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 are included in investment income in the accompanying consolidated statement of activities. Dividend income is recognized on the ex-dividend date while interest income is recognized on the accrual basis. 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, 2023

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

Investments (continued)

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

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 could not be sold until 2023, and the net proceeds from rents and any future sales are restricted to the National Glaucoma Research

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

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

Rental Property (continued)

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.

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, 2023.

Research Grants

Research grants are recognized as program service 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 statement of financial position.

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. Revenue recognized on unconditional contributions that have been committed to BrightFocus but have not been received is reflected as pledges receivable in the accompanying consolidated statements of financial position.

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended March 31, 2023

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

Revenue Recognition (continued)

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

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

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

Special events revenue is recognized in the period in which the event takes place.

Donated Services

BrightFocus receives donated public service announcements (PSA) which have been reflected in the accompanying financial statements based on the cost of the PSA or airtime for the respective station.

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 spent.

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:

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

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended March 31, 2023

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

Functional Allocation of Expenses (continued)

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.

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.

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.

Accounting Pronouncement Adopted

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which requires lessees to put most leases on their statement of financial position. ASU 2016-02 states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. BrightFocus adopted ASU 2020-07 effective April 1, 2022, and as a result, BrightFocus recognized a right-of-use asset of \$104,933 which is included in property and equipment and a lease liability of \$106,014, of which \$22,544 is included in accounts payable and accrued expenses and \$83,470 is included in other liabilities in the accompanying consolidated statement of financial position.

In September 2020, FASB issued ASU 2020-07, *Not-For-Profit Entities (Topic 958): Presentation And Disclosures By Not-For-Profit Entities For Contributed Nonfinancial Assets*, the primary objective of which is to increase transparency about donated nonfinancial assets, including how they are valued and utilized, through enhanced presentation and disclosure. ASU

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended March 31, 2023

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

Accounting Pronouncement Adopted (continued)

2020-07 requires not-for profit entities to present contributed nonfinancial assets as a separate line items in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. BrightFocus adopted ASU 2020-07 retrospectively on April 1, 2022. The adoption of the standard did not result in a material change to the financial statements.

Accounting Pronouncement to be Adopted

In June 2016, FASB issued ASU 2016-13 *Financial Instruments – Credit Losses – (Topic 326)*. This ASU replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance applies to loans, accounts receivable, trade receivables and other financial assets measured at amortized costs, loan commitments, debt securities and beneficial interests in securitized financial assets, but the effect on BrightFocus is projected to be limited to contributions receivable. The guidance will be effective for the fiscal year beginning after December 15, 2022, including interim periods within that year. BrightFocus is evaluating the impact this ASU will have on its consolidated financial statements.

2. Investments

Investments consisted of the following as of March 31, 2023:

Short-term investments:	
Money market funds	<u>\$ 589,148</u>
Long-term investments:	
Equity mutual funds	17,021,353
Corporate bonds	5,035,410
Domestic marketable equity securities	4,616,776
Government-sponsored entity bonds	4,214,416
Fixed-income mutual funds	3,893,458
Structured notes	3,459,422
Equity exchange-traded fund	757,071
Mortgage and asset-backed securities	396,847
Fixed-income exchange traded fund	<u>147,788</u>
Total Long-Term Investments	<u>39,542,541</u>
Total Investments	<u>\$ 40,131,689</u>

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

2. Investments (continued)

A summary of investment loss is as follows for the year ended March 31, 2023:

Interest and dividends	\$ 882,169
Realized losses, net	(1,150,453)
Unrealized losses, net	(2,139,406)
Management fees	<u>(327,036)</u>
Investment Loss, Net	<u>\$ (2,734,726)</u>

3. Bequests and Trusts Receivable

As of March 31, 2023, bequests receivable totaled \$1,558,891 and consisted of unconditional wills and trusts.

As of March 31, 2023, charitable lead trusts consist of charitable lead trust agreements from one donor that are irrevocable and administered by a trustee or fiscal agent. Distributions are to be made to BrightFocus (lead trusts) during the terms of the agreements, which vary in length up to an estimated maximum of 11 years from March 31, 2023. The expected future cash inflows from the trusts have been recorded at present value based on a discount rate of 8.0%, resulting in a total receivable of \$3,980,000. For the year ended March 31, 2023, the change in value of these charitable lead trusts resulted in a loss of \$230,515, primarily due to the decrease in the fair value of the underlying investments of the trusts, and this loss is included in bequests revenue in the accompanying consolidated statement of activities.

As of March 31, 2023, bequests and trusts were expected to be received as follows:

Less than one year	\$ 2,478,891
One to five years	2,310,000
More than five years	<u>1,690,000</u>
Total Bequests and Trusts Receivable	6,478,891
Less: Discount	<u>(940,000)</u>
Bequests and Trusts Receivable, Net	<u>\$ 5,538,891</u>

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 \$310,022, which is included in other assets in the accompanying consolidated statement of financial position.

In addition, as of March 31, 2023, BrightFocus was aware of approximately \$457,000 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.

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

4. Fair Value Measurement

The following table summarizes the assets of BrightFocus measured at fair value on a recurring basis as of March 31, 2023:

<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>
Investments:				
Equity mutual funds:				
Large cap blend	\$ 16,638,059	\$ 16,638,059	\$ -	\$ -
Real estate fund	<u>383,294</u>	<u>383,294</u>	<u>-</u>	<u>-</u>
Total Equity Mutual Funds	<u>17,021,353</u>	<u>17,021,353</u>	<u>-</u>	<u>-</u>
Corporate bonds	<u>5,035,410</u>	<u>-</u>	<u>5,035,410</u>	<u>-</u>
Domestic marketable equity securities:				
Financiar	2,217,496	2,217,496	-	-
Real estate	809,022	809,022	-	-
Health care	365,382	365,382	-	-
Industrial	340,244	340,244	-	-
Information technology	311,200	311,200	-	-
Consumer discretionary	281,353	281,353	-	-
Energy and utilities	142,781	142,781	-	-
Materials	116,792	116,792	-	-
Consumer staples	<u>32,506</u>	<u>32,506</u>	<u>-</u>	<u>-</u>
Total Domestic Marketable Equity Securities	<u>4,616,776</u>	<u>4,616,776</u>	<u>-</u>	<u>-</u>
Government-sponsored entity bonds	<u>4,214,416</u>	<u>-</u>	<u>4,214,416</u>	<u>-</u>
Fixed-income mutual funds	<u>3,893,458</u>	<u>3,893,458</u>	<u>-</u>	<u>-</u>
Structured notes	<u>3,459,422</u>	<u>-</u>	<u>3,459,422</u>	<u>-</u>
Equity exchange-traded funds	<u>757,071</u>	<u>757,071</u>	<u>-</u>	<u>-</u>
Mortgage and asset- backed securities	<u>396,847</u>	<u>-</u>	<u>396,847</u>	<u>-</u>
Fixed-income exchange- traded fund	<u>147,788</u>	<u>147,788</u>	<u>-</u>	<u>-</u>

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

4. 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):				
Investments included in in fair value hierarchy	\$ 39,542,541	\$ 26,436,446	\$ 13,106,095	\$ -
Charitable lead trusts	3,980,000	-	-	3,980,000
Perpetual trust	<u>310,022</u>	<u>-</u>	<u>-</u>	<u>310,022</u>
Assets included in In fair value hierarchy	43,832,563	<u>\$ 27,436,446</u>	<u>\$ 13,106,095</u>	<u>\$ 4,290,022</u>
Money market funds	<u>589,148</u>			
Total Assets	<u>\$ 44,421,711</u>			

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

Equity and fixed-income mutual funds, corporate bonds, domestic marketable equity securities, government-sponsored entity bonds, structured notes, equity and fixed-income exchange-traded funds, 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 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.

Charitable lead and perpetual trust agreements – The expected future cash inflows from the charitable lead trusts are based on the fair value of the investments, future expected investment returns, and have been recorded at present value based on a discount rate of 8.0%. 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.

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

5. Property and Equipment

Property and equipment was as follows as of March 31, 2023:

Land	\$ 1,147,363
Buildings	5,328,141
Computer equipment and software	1,606,337
Office furniture	216,753
Office equipment	176,441
Right-of-use asset	104,933
Automobile	<u>20,500</u>
Total Property and Equipment	8,600,468
Less: Accumulated Depreciation and Amortization	<u>(4,107,780)</u>
Property and Equipment, Net	<u>\$ 4,492,688</u>

Depreciation and amortization expense totaled \$491,564 for the year ended March 31, 2023, which includes depreciation of the rental property of \$41,779.

6. 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 2029, 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 \$793,809 as of March 31, 2023. Rental income earned, net of associated expenses of \$29,121, totaled \$565,621 for the year ended March 31, 2023. 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 \$70,195 as of March 31, 2023, and is included in other assets in the accompanying consolidated statement of financial position.

As of March 31, 2023, the future minimum rentals were as follows:

For the Year Ending March 31,	
<u>2024</u>	\$ 738,915
2025	672,954
2026	647,375
2027	635,269
2028	635,269
Thereafter	<u>477,859</u>
Total	<u>\$ 3,807,641</u>

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended March 31, 2023

7. Research Grants

BrightFocus awards annual research grants that cover periods of one to three fiscal years. As of March 31, 2023, \$31,119,925 was payable for research grants that have been awarded by the Board of Directors. Of the total grants payable, \$18,597,837 has been scheduled for payment by BrightFocus within the next year, with the remaining balance of \$14,522,088 (net of the present value discount of \$649,502) due to be paid out no later than fiscal year 2026. The average discount rate used was 4.17%.

8. Charitable Gift Annuities

BrightFocus has charitable gift annuity agreements with individuals. Under the terms of the agreements, BrightFocus receives cash, which can be donor-restricted 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, 2023, the present value of the annuity payments totaled \$584,542, which is based on various life expectancies and has discount rates of 0.4% to 8%. Of the total annuity liability, \$94,925 is scheduled for payment within the next year, with the remaining balance of \$489,617 payable in subsequent years. The liability is supported by investments of BrightFocus. In addition, various state laws require BrightFocus to maintain additional reserves for the charitable annuities. As of March 31, 2023, BrightFocus had \$2,135,605 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, 2023, BrightFocus received \$20,000 in gift annuities.

9. Line of Credit

In April 2020, BrightFocus entered into an unsecured \$5,000,000 line of credit agreement with a bank with a maturity of March 31, 2023. The interest rate was based on the lender's prime rate, which was 8.00% as of March 31, 2023. There were no borrowings from this line of credit during the year ended March 31, 2023. On March 30, 2023, the maturity date was extended to September 30, 2024. All other terms of the line of credit agreement remain the same.

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended March 31, 2023

10. Net Assets With Donor Restrictions

As of March 31, 2023, net assets with donor restrictions were restricted for the following purposes:

Subject to expenditure for future periods	\$ 105,035
Subject to expenditure for specified purpose:	
Alzheimer's Disease Research	5,528,026
Macular Degeneration Research	3,622,796
National Glaucoma Research	<u>3,635,590</u>
Total Subject to Expenditure for Specified Purpose	12,786,412
Subject to donor restriction in perpetuity:	
Alzheimer's Disease Research – Perpetual Trusts	<u>310,022</u>
Total Net Assets With Donor Restrictions	<u>\$ 13,201,469</u>

BrightFocus has recorded \$310,022 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 and included as part of bequests on the consolidated statement of activities and released as spent.

11. 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, 2023, are as follows:

Cash and cash equivalents	\$ 3,505,759
Pledges receivable, current portion	350,000
Charitable lead trusts, current portion	920,000
Bequests receivable, current portion	1,558,891
Investments	<u>40,131,689</u>
Total Financial Assets Available Within One Year	46,466,339
Less:	
Amounts unavailable for general expenditures within one year due to:	
Restricted by donors with purpose restrictions	(5,905,636)
Amounts unavailable to management:	
Investments held in state required annuity reserves	<u>(2,135,605)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 38,425,098</u>

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended March 31, 2023

11. 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, and to meet its 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. In addition, BrightFocus has a \$5 million line of credit available for further source of liquidity as needed (see Note 9).

12. Donated Services

Radio and televised PSA 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 PSAs totaled \$25,308,680 for the year ended March 31, 2023, and is included in donated 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. PSAs 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 for a 60 second announcement, which is prorated based on the length of the announcement. The PSAs are restricted to for use in BrightFocus' disease related programs and BrightFocus does not monetize the PSAs upon receipt of the donation.

13. Program Activities

For the year ended March 31, 2023, 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	\$ 11,008,962	\$ 14,730,363	\$ 25,739,325
Macular Degeneration Research	5,680,881	12,970,943	18,651,824
National Glaucoma Research	<u>2,780,925</u>	<u>10,304,123</u>	<u>13,085,048</u>
Total Program Services	<u>\$ 19,470,768</u>	<u>\$ 38,005,429</u>	<u>\$ 57,476,197</u>

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended March 31, 2023

14. 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, 2023, these activities included joint costs of \$18,131,282, 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:

Fundraising	\$ 8,788,812
Health Information Services	8,101,074
Management and general	<u>1,241,396</u>
Total Joint Costs	<u>\$ 18,131,282</u>

15. Employment Agreement

BrightFocus has entered into an employment agreement with its President and Chief Executive Officer for a four-year term which expired on April 30, 2023. Per the terms of the agreement on May 1, 2023 the employment agreement automatically renewed for an additional two-year term through April 20, 2025. 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.

16. 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 \$312,744 for the year ended March 31, 2023.

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, 2023.

BRIGHTFOCUS FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended March 31, 2023

17. 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, 2023, 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, 2023, 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, 2023, 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 expense. As of March 31, 2023, BrightFocus had no accruals for interest and/or penalties.

18. 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 BrightFocus' consolidated financial statements as of and for the year ended March 31, 2022, from which the summarized information was derived.

19. Reclassification

Certain reclassification to the prior year financial statements have been made to conform to the current year presentation.

20. Subsequent Events

In preparing these consolidated financial statements, BrightFocus has evaluated events and transactions for potential recognition or disclosure through July 25, 2023, 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.