

Financial Statements

The Boston Foundation for Sight, Inc.

December 31, 2013 and 2012



Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

THE BOSTON FOUNDATION FOR SIGHT, INC.

Financial Statements

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Mayer Hoffman McCann P.C.
Tofias New England Division
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500 Boylston Street ■ Boston, MA 02116
Tel: 617.761.0600 ■ Fax: 617.761.0601 ■ www.cbiztofias.com

Independent Auditors' Report

To the Board of Directors
The Boston Foundation for Sight, Inc.
Needham, Massachusetts

We have audited the accompanying financial statements of The Boston Foundation for Sight, Inc. (the "Foundation"), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Boston Foundation for Sight, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

April 8, 2014
Boston, Massachusetts

THE BOSTON FOUNDATION FOR SIGHT, INC.

Balance Sheets

	<i>December 31,</i>	
	<i>2013</i>	<i>2012</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,439,602	\$ 1,778,322
Accounts receivable - patients, net of reserve for doubtful accounts of \$288,000 and \$250,000 in 2013 and 2012, respectively	1,161,100	1,031,196
Accounts receivable - network clinics	755,200	660,578
Other receivables	123,821	4,313
Prepaid expenses	56,920	47,891
	<u>4,536,643</u>	<u>3,522,300</u>
Other assets:		
Restricted cash	185,361	185,343
Deposits	32,918	32,918
	<u>218,279</u>	<u>218,261</u>
Property and equipment, net	<u>435,498</u>	<u>737,095</u>
Total assets	<u>\$ 5,190,420</u>	<u>\$ 4,477,656</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 813,390	\$ 516,041
Note payable, current portion	-	58,144
	<u>813,390</u>	<u>574,185</u>
Other liabilities:		
Note payable, net of current portion	-	123,601
	<u>813,390</u>	<u>697,786</u>
Net assets:		
Unrestricted net assets	4,151,186	3,579,379
Temporarily restricted net assets	40,844	15,491
Permanently restricted net assets	185,000	185,000
	<u>4,377,030</u>	<u>3,779,870</u>
Total liabilities and net assets	<u>\$ 5,190,420</u>	<u>\$ 4,477,656</u>

See accompanying notes to financial statements.

THE BOSTON FOUNDATION FOR SIGHT, INC.

Statements of Operations and Changes in Net Assets

Years Ended December 31,

	2013			Total	2012
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Changes in unrestricted net assets:					
Revenue and other support:					
Patient services, net	\$ 3,557,078	\$ -	\$ -	\$ 3,557,078	\$ 3,682,508
Provision for bad debts	(89,228)	-	-	(89,228)	(20,000)
Patient services, net	3,467,850	-	-	3,467,850	3,662,508
Network clinic revenue, net	2,326,190	-	-	2,326,190	1,966,950
Other	141,746	-	-	141,746	26,266
Contributions and grants	405,328	41,611	-	446,939	533,730
Net assets released from restrictions, satisfied by payment	16,619	(16,619)	-	-	-
Total unrestricted revenue and other support	6,357,733	24,992	-	6,382,725	6,189,454
Expenses:					
Operating, research, education and teaching	3,824,000	-	-	3,824,000	3,838,354
General and administrative	1,766,781	-	-	1,766,781	1,461,237
Fundraising	417,488	-	-	417,488	308,260
Depreciation	317,450	-	-	317,450	354,310
Total expenses	6,325,719	-	-	6,325,719	5,962,161
Operating gain	32,014	24,992	-	57,006	227,293
Nonoperating activities:					
Interest income	32	361	-	393	-
In-kind contributions	239,761	-	-	239,761	334,375
Rental income	300,000	-	-	300,000	300,000
Net nonoperating gains	539,793	361	-	540,154	634,375
Excess of revenue over expenses	571,807	25,353	-	597,160	861,668
Net assets, beginning of year	3,579,379	15,491	185,000	3,779,870	2,918,202
Net assets, end of year	\$ 4,151,186	\$ 40,844	\$ 185,000	\$ 4,377,030	\$ 3,779,870

THE BOSTON FOUNDATION FOR SIGHT, INC.

Statement of Operations and Changes in Net Assets

Year Ended December 31,

	<i>2012</i>			
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Changes in unrestricted net assets:				
Revenue and other support:				
Patient services, net	\$ 3,682,508	\$ -	\$ -	\$ 3,682,508
Provision for bad debts	(20,000)	-	-	(20,000)
Patient services, net	<u>3,662,508</u>	<u>-</u>	<u>-</u>	<u>3,662,508</u>
Network clinic revenue, net	1,966,950	-	-	1,966,950
Other	26,266	-	-	26,266
Contributions	368,072	165,658	-	533,730
Net assets released from restrictions, satisfied by payment	<u>177,267</u>	<u>(177,267)</u>	<u>-</u>	<u>-</u>
Total unrestricted revenue and other support	<u>6,201,063</u>	<u>(11,609)</u>	<u>-</u>	<u>6,189,454</u>
Expenses:				
Operating, research, education and teaching	3,838,354	-	-	3,838,354
General and administrative	1,461,237	-	-	1,461,237
Fundraising	308,260	-	-	308,260
Depreciation	<u>354,310</u>	<u>-</u>	<u>-</u>	<u>354,310</u>
Total expenses	<u>5,962,161</u>	<u>-</u>	<u>-</u>	<u>5,962,161</u>
Operating loss	<u>238,902</u>	<u>(11,609)</u>	<u>-</u>	<u>227,293</u>
Nonoperating activities:				
In-kind contributions	334,375	-	-	334,375
Rental income	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Net nonoperating gains	<u>634,375</u>	<u>-</u>	<u>-</u>	<u>634,375</u>
Excess (deficiency) of revenue over expenses	<u>873,277</u>	<u>(11,609)</u>	<u>-</u>	<u>861,668</u>
Net assets, beginning of year	<u>2,706,102</u>	<u>27,100</u>	<u>185,000</u>	<u>2,918,202</u>
Net assets, end of year	<u>\$ 3,579,379</u>	<u>\$ 15,491</u>	<u>\$ 185,000</u>	<u>\$ 3,779,870</u>

THE BOSTON FOUNDATION FOR SIGHT, INC.

Statements of Cash Flows

	<i>Years Ended December 31,</i>	
	<i>2013</i>	<i>2012</i>
Cash flows from operating activities:		
Change in net assets	\$ 597,160	\$ 861,668
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	317,450	354,310
Changes in operating assets and liabilities:		
Change in accounts receivable - patients	(129,904)	(92,697)
Change in accounts receivable - network clinics	(94,622)	25,317
Change in other receivables	(119,508)	(4,313)
Change in prepaid expenses	(9,029)	-
Change in deposits	-	(6,038)
Change in accounts payable and accrued expenses	297,349	104,710
	<u>858,896</u>	<u>1,242,957</u>
Net cash provided by operating activities	<u>858,896</u>	<u>1,242,957</u>
Cash flows from investing activities:		
Change in restricted cash	(18)	-
Purchases of property and equipment	(15,853)	(312,771)
	<u>(15,871)</u>	<u>(312,771)</u>
Net cash used in financing activities	<u>(15,871)</u>	<u>(312,771)</u>
Cash flows from financing activities:		
(Payments) proceeds from note payable	(181,745)	181,745
	<u>(181,745)</u>	<u>181,745</u>
Net cash provided by (used in) financing activities	<u>(181,745)</u>	<u>181,745</u>
Net increase in cash and cash equivalents	661,280	1,111,931
Cash and cash equivalents, beginning of year	<u>1,778,322</u>	<u>666,391</u>
Cash and cash equivalents, end of year	\$ <u>2,439,602</u>	\$ <u>1,778,322</u>

Supplemental cash flows disclosure:

At December 31, 2012, fixed assets additions totaling approximately \$46,000 remained in accounts payable and accrued expenses.

THE BOSTON FOUNDATION FOR SIGHT, INC.

Notes to Financial Statements

Note 1 - Significant Accounting Policies

Organization and Purpose

The Boston Foundation for Sight, Inc. (the "Foundation") was incorporated under the laws of the Commonwealth of Massachusetts on April 1, 1992. The purpose of the Foundation is to support research on the use of scleral lenses as a means of restoring vision in eyes damaged by certain injuries and diseases and to provide practitioners with the skills necessary to properly fit these lenses through training conducted by the Foundation. Resources are raised through private and corporate contributions. The efforts of the Foundation are considered to be one program. In addition, the Foundation provides medical services directly to patients. As of October 31, 2003, the Foundation began to manufacture the scleral lenses.

Financial Statement Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

The Foundation reports three classes of net assets and the changes in those net assets in the balance sheets and statements of operations and changes in net assets, respectively. The three classes of net assets – unrestricted, temporarily restricted and permanently restricted – are based on the existence or absence of donor-imposed restrictions, either explicit or implicit. The three classifications are defined as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations or for which donor restrictions have expired.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that permit the Foundation to use or expend the donated assets as specified and is satisfied by either the passage of time or by actions of the Foundation.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Unexpended appreciation on permanently restricted net assets is included in temporarily restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates included in the financial statements. Significant management estimates include the allowance for doubtful accounts receivable, estimated useful lives of depreciable assets, satisfaction of restrictions for the release of net assets and allocation of functional expenses.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Foundation maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Foundation monitors its exposure associated with bank deposits and has not experienced any losses in such accounts.

THE BOSTON FOUNDATION FOR SIGHT, INC.

Notes to Financial Statements

Note 1 - Significant Accounting Policies (Continued)

Restricted Cash

Restricted cash consists of long-term donor restricted funds. The funds are held in a bank deposit account.

Patient Service Revenue, Clinic Revenue, and Related Accounts Receivable

Accounts receivable are recorded at their net realizable value. Accordingly, for patient accounts receivable, the Foundation provides a reserve for contractual adjustments and doubtful accounts equal to the estimated uncollectible amounts. The Foundation's estimate is based on historical collection experience and a review of the current status of patient accounts receivable. It is reasonably possible that the Foundation's estimate of the allowance for doubtful accounts will change. Patient accounts receivable are presented net of reserve for contractual adjustments and doubtful accounts of approximately \$288,000 and \$250,000 at December 31, 2013 and 2012, respectively.

The Foundation provides medical services to patients whose vision, damaged by certain injuries and diseases, cannot be restored through standard ophthalmologic practices. Fees for services are billed to third-party service providers (insurance) if the patient carries such insurance. Typically insurance providers determine an allowable amount for the services rendered and remit to the Foundation a net amount after adjustments. Patients who do not carry insurance are not denied medical services, and the Foundation performs a financial analysis of each patient and provides free care for such patients based on need. Patient Service Revenue is presented in the accompanying statements of operations and changes in net assets, net of such contractual adjustments totaling \$696,394 and \$649,133, and free care totaling \$581,827 and \$436,940 for the years ended December 31, 2013 and 2012, respectively.

Network clinic receivables represent amounts owed to the Foundation by network clinics for devices manufactured by the Foundation. Each participating network clinic is licensed to dispense the devices through a contractual agreement with the Foundation. Revenue for devices sold under contract to network clinics is recognized when the devices are shipped. No amounts are reserved for these network clinic receivables based on the history of collections and the ongoing contractual relationships with the Foundation.

The initially recorded fair value of both types of receivables is considered a Level 2 fair value approach.

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. Fair value of donated property and equipment is effectively recorded using a Level 3 market approach. Minor repairs and maintenance are expensed in the year incurred while major additions and renewals are capitalized.

Depreciation is provided on the straight-line basis over the following estimated useful lives:

Clinical equipment	5 to 7 years
Leasehold improvements	5 to 10 years or lease term whichever is shorter
Office equipment	5 years
Furniture and fixtures	7 years

THE BOSTON FOUNDATION FOR SIGHT, INC.

Notes to Financial Statements

Note 1 - Significant Accounting Policies (Continued)

Fair Value Measurements

The Foundation reports required types of financial instruments at fair value on a recurring and non-recurring basis depending on the underlying accounting policy for the particular item. Fair value standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the Foundation to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument including situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instruments and the characteristics specific to the instruments. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

Revenues

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as increases in unrestricted net assets. Gains and losses on other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated time period are reported as reclassifications between the applicable classes of net assets.

THE BOSTON FOUNDATION FOR SIGHT, INC.

Notes to Financial Statements

Note 1 - Significant Accounting Policies (Continued)

Contributions

The Foundation reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restriction. Fair value is determined at the date of recordation as earlier described in these notes using Level 2 fair value methods.

In-Kind Contributions

The Foundation received in-kind contributions and certain equipment and collectible items from various donors and individuals, including its Board of Directors, for which there was no form of remuneration. Accordingly, the value of these contributed services, along with certain equipment and collectible items, has not been recognized in the accompanying statements of operations and changes in net assets. In-kind contributions recognized of \$239,761 and \$334,375 in 2013 and 2012, respectively, consist primarily of materials used in the manufacture of scleral lenses. The materials would need to be purchased if not provided by donation. The materials are recognized at their fair value when received.

Allocation of Common Expenses

Certain common expenses have been allocated to functions based on percentage of effort, usage, square footage and other criteria.

Income Taxes

The Foundation is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal and state income taxes. Accordingly, no provision for income taxes is made in the financial statements. Given the limited taxable activities of the Foundation, management concluded that disclosures relative to tax provisions are not necessary.

Uncertain Tax Positions

The Foundation accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. Interest and penalties assessed, if any, are accrued as income tax expense.

The Foundation has identified its tax status as a tax exempt entity and its determination of which activities are related and unrelated as its only significant tax positions and has determined that such tax positions do not result in an uncertainty requiring recognition. The Foundation is not currently under examination by any taxing jurisdiction. Federal and state income tax returns are generally open for examination for three years following the date filed.

THE BOSTON FOUNDATION FOR SIGHT, INC.

Notes to Financial Statements

Note 1 - Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order to conform with the current year presentation.

Subsequent Events

The Foundation has evaluated subsequent events through April 8, 2014, the date the financial statements were issued.

Note 2 - Property and Equipment

Property and equipment as of December 31, 2013 and 2012 consists of the following:

	<i>2013</i>	<i>2012</i>
Clinical equipment	\$ 1,810,987	\$ 1,807,155
Leasehold improvements	465,177	456,272
Office equipment	138,491	70,270
Furniture and fixtures	10,531	10,531
Construction in progress	<u>-</u>	<u>73,443</u>
	2,425,186	2,417,671
Less: accumulated depreciation	<u>1,989,688</u>	<u>1,680,576</u>
	<u><u>\$ 435,498</u></u>	<u><u>\$ 737,095</u></u>

Construction in progress at December 31, 2012 consisted of leasehold improvements and office equipment not yet placed into service. The project was completed and transferred to leasehold improvements and office equipment during 2013.

Note 3 - Debt

Line of Credit

The Foundation has a revolving line of credit with a bank in the amount of \$500,000. Borrowings under the line of credit bear interest at 2.75% above LIBOR (3.33% and 3.61% at December 31, 2013 and 2012, respectively). As of December 31, 2013 and 2012, there was no outstanding balance on the line of credit. Borrowings are collateralized by substantially all assets of the Foundation.

THE BOSTON FOUNDATION FOR SIGHT, INC.

Notes to Financial Statements

Note 3 - Debt (Continued)

Note Payable

During 2012, the Foundation obtained a non-revolving line of credit with a bank with a maximum available amount of \$200,000, to be used for the purchase of equipment. Per the terms of the agreement, the line converted to a note payable at December 29, 2012 with no further borrowings permitted on the line after that date. During 2013, the note was paid in full.

Note 4 - Operating Lease Commitments

The Foundation leases space for its office and manufacturing facility under a non-cancellable lease agreement with an effective commencement date of August 31, 2010 and expiration date of January 31, 2016. Under the terms of this lease agreement, the Foundation is required to remit a minimum monthly rental plus certain operating costs. During the years ended December 31, 2013 and 2012, rent expense incurred by the Foundation under this lease agreement, including operating costs, amounted to \$440,459 and \$409,683, respectively.

The Foundation has entered into a motor vehicle lease and various office equipment and residential leases. The non-cancellable lease agreements require minimum monthly rentals ranging from \$238 to \$1,555 and expire at various intervals through September 2017. During the years ended December 31, 2013 and 2012, lease expense incurred by the Foundation under these lease agreements amounted to \$34,281 and \$37,092, respectively.

Future minimum lease payments due under these non-cancellable lease agreements as of December 31, 2013 are as follows:

<i>Year Ending December 31,</i>	
2014	\$ 483,864
2015	480,176
2016	109,293
2017	<u>57,787</u>
	<u>\$ 1,131,120</u>

Note 5 - Net Assets and Endowment Matters

Unrestricted Net Assets

Unrestricted net assets are comprised of the following:

Net investment in property and equipment - The value of property and equipment net of depreciation used by the Foundation's operations.

Operating - Discretionary funds available for carrying on the operating activities of the Foundation.

THE BOSTON FOUNDATION FOR SIGHT, INC.

Notes to Financial Statements

Note 5 - Net Assets and Endowment Matters (Continued)

Temporarily Restricted Net Assets

Purpose restricted - Amounts received with donor restrictions which have not yet been expended for their designated purpose at December 31:

	<i>2013</i>	<i>2012</i>
Purpose restricted:		
Research fund	\$ 7,975	\$ 7,975
SJS kids week	-	7,416
Patient/family fund	32,388	-
Accumulated earning on permanently restricted funds	361	-
Other	120	100
	<u>40,844</u>	<u>15,491</u>
Temporarily restricted net assets	\$ <u>40,844</u>	\$ <u>15,491</u>

Net Assets Released from Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions as specified by the donors as follows for the years ended December 31:

	<i>2013</i>	<i>2012</i>
Purpose restricted gifts:		
Research fund	\$ -	\$ 132,700
SJS kids week	7,516	18,292
Patient/family fund	9,003	-
Capital outlay	-	16,000
Donor plaque	-	5,000
Free care fund	-	5,275
Other	100	-
	<u>16,619</u>	<u>177,267</u>
Total net assets released	\$ <u>16,619</u>	\$ <u>177,267</u>

Permanently Restricted Net Assets

Endowment - Amounts restricted in perpetuity by donors at December 31:

	<i>2013</i>	<i>2012</i>
Endowment - to support patient services	\$ <u>185,000</u>	\$ <u>185,000</u>

THE BOSTON FOUNDATION FOR SIGHT, INC.

Notes to Financial Statements

Note 5 - Net Assets and Endowment Matters (Continued)

Permanently Restricted Net Assets (Continued)

The following represents required disclosure relative to the composition of endowment assets and those functioning as endowment assets at December 31, 2013 and 2012:

	<i>Permanently Restricted Net Assets</i>	<i>Total</i>
Endowment assets and those functioning as endowment assets, beginning of year	\$ <u>185,000</u>	\$ <u>185,000</u>
Contributions and additions	<u>-</u>	<u>-</u>
Investments return:		
Interest and dividends, net of investment expenses	-	-
Realized gains	-	-
Unrealized losses	<u>-</u>	<u>-</u>
Total investments return	<u>-</u>	<u>-</u>
Expenditures:		
Amounts appropriated for expenditure	<u>-</u>	<u>-</u>
Change in endowment assets and those functioning as endowment assets	<u>-</u>	<u>-</u>
Endowment assets and those functioning as endowment assets, end of year	\$ <u><u>185,000</u></u>	\$ <u><u>185,000</u></u>

Temporarily restricted net assets includes \$361 and \$0 of accumulated unspent earnings on permanently restricted net assets at December 31, 2013 and 2012, respectively.

Note 6 - Retirement Plan

The Foundation maintains a 401(k) retirement plan (the "Plan") for the benefit of its employees. Upon achieving certain eligibility requirements, the Plan allows each employee participant an election to defer a percentage of their compensation up to the maximum limits as established for federal income tax purposes. The Foundation, at the discretion of the Board of Directors, may make matching contributions to the Plan. Matching contributions made by the Foundation for the years ended December 31, 2013 and 2012 amounted to \$97,987 and \$89,297, respectively.

THE BOSTON FOUNDATION FOR SIGHT, INC.

Notes to Financial Statements

Note 7 - Expenses by Functional Classification

The following is a summary of expenses by functional classification after the allocation of depreciation expense for the years ended December 31:

	2013	2012
Operating, research, education and teaching	\$ 4,099,438	\$ 4,164,805
General and administrative	1,804,395	1,485,596
Fundraising	<u>421,886</u>	<u>311,760</u>
Total expenses	\$ <u>6,325,719</u>	\$ <u>5,962,161</u>

Note 8 - Contingency

The Foundation is involved in a legal dispute (non-patient care related) and has accrued an amount equal to the Foundation's estimated insurance deductible and is included in accounts payable and accrued expenses on the Balance sheet at December 31, 2013. In management's opinion, this matter will not have any additional material adverse effect on the financial position of the Foundation.