

SPECTRIOS INSTITUTE FOR LOW VISION
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

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KOLNICKI



PETERSON



WIRTH

To the Board of Directors
Spectrios Institute for Low Vision
Wheaton, Illinois

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of Spectrios Institute for Low Vision (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spectrios Institute for Low Vision as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Spectrios Institute for Low Vision and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Spectrios Institute for Low Vision's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

KOLNICKI PETERSON & WIRTH, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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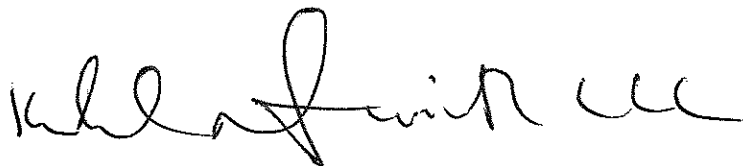
Auditor's Responsibilities for the Audit of the Financial Statements

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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Spectrios Institute for Low Vision's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Spectrios Institute for Low Vision's ability to continue as a going concern for a reasonable period of time.

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



KOLNICKI, PETERSON, WIRTH LLC
Certified Public Accountants

**SPECTRIOS INSTITUTE FOR LOW VISION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash - unrestricted	\$ 380,458	\$ 539,736
Accounts receivable, net of allowance for doubtful accounts of \$15,576 and \$27,945 in 2022 and 2021, respectively	29,135	21,714
Grant receivable	250,000	-
Inventory	40,256	35,837
Other current assets	<u>3,558</u>	<u>4,558</u>
 Total current assets	 <u>703,407</u>	 <u>601,845</u>
NON-CURRENT ASSETS		
Grant receivable, net of current portion	500,000	-
Board designated endowment fund:		
Investments	838,515	994,076
Restricted for capital expansion:		
Investments	<u>87,282</u>	<u>87,282</u>
 Total non-current assets	 <u>1,425,797</u>	 <u>1,081,358</u>
PROPERTY AND EQUIPMENT		
Building	785,677	785,677
Land	197,765	197,765
Office furniture and equipment	212,749	186,372
Professional equipment	580,746	521,572
Automobile	<u>27,400</u>	<u>27,400</u>
	1,804,337	1,718,786
Less: accumulated depreciation	<u>(1,020,616)</u>	<u>(964,554)</u>
 Net property and equipment	 <u>783,721</u>	 <u>754,232</u>
 Total assets	 <u>\$ 2,912,925</u>	 <u>\$ 2,437,435</u>

These financial statements should be read
only in connection with the accompanying summary of
significant accounting principles and notes to financial statements.

**SPECTRIOS INSTITUTE FOR LOW VISION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

	2022	2021
CURRENT LIABILITIES		
Accounts payable	\$ 36,317	\$ 47,149
Accrued payroll	15,967	13,307
Accrued sick pay	67,922	67,922
Economic Injury Disaster Loan - current portion	-	73,614
Accrued other expenses	656	4,887
TOTAL LIABILITES	120,862	206,879
NET ASSETS		
Without donor restrictions		
Designated by board as an endowment fund	838,515	994,076
Undesignated	1,821,266	1,149,198
Net assets without donor restrictions	2,659,781	2,143,274
With donor restrictions		
Donations restricted as to use	45,000	-
Capital expansion	87,282	87,282
Net assets with donor restrictions	132,282	87,282
Total net assets	2,792,063	2,230,556
Total liabilities and net assets	\$ 2,912,925	\$ 2,437,435

These financial statements should be read
only in connection with the accompanying summary of
significant accounting principles and notes to financial statements.

SPECTRIOS INSTITUTE FOR LOW VISION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Medical services	\$ 537,684	\$ -	\$ 537,684
Less: discounts and adjustments	(165,030)	-	(165,030)
Subtotal - medical services	372,654	-	372,654
Sales - low vision aids, net	428,835	-	428,835
Donations	1,267,039	60,000	1,327,039
Special event revenue	255,754	-	255,754
Miscellaneous	3,011	-	3,011
Net assets released from restrictions	15,000	(15,000)	-
Total revenues	2,342,293	45,000	2,387,293
GAINS (LOSSES) AND OTHER SUPPORT			
Net loss on investment activity	(167,506)	-	(167,506)
Gain on sale of equipment	1,500	-	1,500
Investment income, net	12,122	-	12,122
Return of grant	(10,200)	-	(10,200)
Total gains (losses) and other support	(164,084)	-	(164,084)
TOTAL REVENUES, GAINS AND OTHER SUPPORT	2,178,209	45,000	2,223,209
EXPENSES			
Program services	1,222,128	-	1,222,128
Management and general	247,546	-	247,546
Fundraising	192,028	-	192,028
Total expenses	1,661,702	-	1,661,702
Change in net assets	516,507	45,000	561,507
Net assets, beginning of year	2,143,274	87,282	2,230,556
Net assets, end of year	\$ 2,659,781	\$ 132,282	\$ 2,792,063

These financial statements should be read only in
connection with the accompanying summary of significant
accounting policies and notes to the financial statements

**SPECTRIOS INSTITUTE FOR LOW VISION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Medical services	\$ 511,048	\$ -	\$ 511,048
Less: discounts and adjustments	(178,539)	-	(178,539)
Subtotal - medical services	332,509	-	332,509
Sales - low vision aids, net	368,667	-	368,667
Donations	529,080	-	529,080
Special event revenue	157,465	-	157,465
Grants	8,300	-	8,300
Total revenues	1,396,021	-	1,396,021
GAINS (LOSSES) AND OTHER SUPPORT			
Net gain on investment activity	85,352	-	85,352
Investment income, net	27,721	-	27,721
Paycheck Protection Program Loan Forgiveness	132,852	-	132,852
Total gains (losses) and other support	245,925	-	245,925
TOTAL REVENUES, GAINS AND OTHER SUPPORT	1,641,946	-	1,641,946
EXPENSES			
Program services	1,013,738	-	1,013,738
Management and general	206,323	-	206,323
Fundraising	150,723	-	150,723
Total expenses	1,370,784	-	1,370,784
Change in net assets	271,162	-	271,162
Net assets, beginning of year	1,872,112	87,282	1,959,394
Net assets, end of year	\$ 2,143,274	\$ 87,282	\$ 2,230,556

These financial statements should be read only in
connection with the accompanying summary of significant
accounting policies and notes to the financial statements

**SPECTRIOS INSTITUTE FOR LOW VISION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Services	Management & General	Fund- raising	Total
EXPENSES				
Payroll and related expenses	\$ 607,371	\$ 208,672	\$ 101,563	\$ 917,606
Cost of low vision aids	242,749	-	-	242,749
Contractual services	88,319	-	-	88,319
Bad debt	11,264	-	-	11,264
Golf expenses	-	-	38,338	38,338
Gala expenses	-	-	23,238	23,238
Meetings and travel	14,889	-	-	14,889
Liability and property insurance	15,909	5,466	2,661	24,036
Communications	-	-	10,712	10,712
Patient support	1,397	-	-	1,397
Public relations	-	745	198	943
Program supplies and equipment	71,337	-	-	71,337
Postage and freight	7,727	1,545	2,615	11,887
Dues, memberships and fees	6,321	-	-	6,321
Bank service fees	14,947	-	-	14,947
Office supplies	14,863	5,106	2,486	22,455
Equipment repairs and maintenance	-	5,021	-	5,021
Telephone	4,970	1,708	831	7,509
Facility expense	31,576	10,848	5,280	47,704
Marketing	44,969	-	-	44,969
Depreciation	43,520	8,435	4,106	56,061
Total operating expenses	<u>\$ 1,222,128</u>	<u>\$ 247,546</u>	<u>\$ 192,028</u>	<u>\$ 1,661,702</u>

These financial statements should be read only in connection
with the accompanying summary of significant accounting
policies and notes to financial statements

**SPECTRIOS INSTITUTE FOR LOW VISION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services	Management & General	Fund- raising	Total
EXPENSES				
Payroll and related expenses	\$ 485,517	\$ 166,807	\$ 81,187	\$ 733,511
Cost of low vision aids	204,935	-	-	204,935
Contractual services	100,292	-	-	100,292
Bad debt	312	-	-	312
Golf expenses	-	-	35,465	35,465
Gala expenses	-	-	16,908	16,908
Meetings and travel	10,022	-	-	10,022
Liability and property insurance	13,893	4,773	2,324	20,990
Communications	-	-	2,195	2,195
Patient support	4,172	-	-	4,172
Public relations	-	3,930	1,045	4,975
Program supplies and equipment	53,302	-	-	53,302
Postage and freight	6,042	1,208	2,045	9,295
Dues, memberships and fees	9,626	-	-	9,626
Bank service fees	13,583	-	-	13,583
Office supplies	8,258	2,837	1,381	12,476
Equipment repairs and maintenance	-	3,410	-	3,410
Telephone	4,228	1,453	707	6,388
Facility expense	24,359	8,369	4,074	36,802
Interest	-	6,569	-	6,569
Marketing	39,251	-	-	39,251
Depreciation	35,946	6,967	3,392	46,305
	<u>\$ 1,013,738</u>	<u>\$ 206,323</u>	<u>\$ 150,723</u>	<u>\$ 1,370,784</u>
Total expenses	<u>\$ 1,013,738</u>	<u>\$ 206,323</u>	<u>\$ 150,723</u>	<u>\$ 1,370,784</u>

These financial statements should be read only in connection
with the accompanying summary of significant accounting
policies and notes to financial statements

**SPECTRIOS INSTITUTE FOR LOW VISION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 561,507	\$ 271,162
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	56,061	46,305
Bad debt	11,264	5,544
Loss (gain) on investments	183,977	(85,352)
Stock donations	-	(6,025)
Gain on sale of equipment	(1,500)	-
Paycheck Protection Program loan forgiveness	-	(132,852)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(18,684)	10,471
(Increase) decrease in grants receivable	(750,000)	28,643
(Increase) decrease in inventory	(4,419)	3,184
Decrease (increase) in other current assets	1,000	(1,989)
(Decrease) increase in accounts payable	(10,832)	461
Increase in accrued payroll	2,660	4,316
(Decrease) increase in accrued other expenses	(4,228)	4,335
Net cash provided by operating activities	26,806	148,203
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(85,551)	(10,901)
Proceeds from sale of equipment	1,500	-
Purchase of investments	(153,689)	(135,800)
Proceeds from sale of investments	125,472	93,144
Net cash used by investing activities	(112,268)	(53,557)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	132,852
Payments on Economic Injury Disaster Loans	(73,816)	(76,386)
Net cash (used) provided by financing activities	(73,816)	56,466
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(159,278)	151,112
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	539,736	388,624
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 380,458	\$ 539,736

These financial statements should be read
only in connection with the accompanying summary of
significant accounting principles and notes to financial statements

**SPECTRIOS INSTITUTE FOR LOW VISION
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
DECEMBER 31, 2022 AND 2021**

Nature of Operations

The Spectrios Institute for Low Vision (the Institute) is an Illinois not-for-profit corporation whose purpose is to evaluate, counsel, and provide instruction and physical therapy to patients with low vision difficulties and to establish, conduct, and support research and preventative techniques in this area. The Institute's support comes primarily from government grants, medical service fees, sales of low vision aids, and donor contributions.

Basis of Accounting

The financial statements of the Institute are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Under the accrual basis, revenues are recognized when they are earned and become measurable, and expenses are recorded when incurred.

Basis of Presentation

The Institute reports information regarding its financial position and activities according to two classes of net assets that are based upon existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions, net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Institute, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Institute's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank accounts and other highly liquid resources with an original maturity of three months or less when purchased. Excluded from this definition of cash equivalents are such amounts that the Board has designated for the endowment fund.

The Institute maintains its operating, money market, and other cash accounts in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The uninsured cash balances at December 31, 2022 and December 31, 2021 were \$163,650 and \$317,680, respectively.

**SPECTRIOS INSTITUTE FOR LOW VISION
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
DECEMBER 31, 2022 AND 2021**

Accounts Receivable

Accounts receivable consists primarily of fees due from program services and are non-interest bearing. Accounts receivable are stated at unpaid balances with an allowance for doubtful accounts of \$15,576 and \$27,945 at December 31, 2022 and 2021, respectively. It is the Institute's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Grants Receivable/Refundable Advance

The Institute has entered into various grant agreements with the DuPage County Division of Human Services, the Lions of Illinois Foundation, and the Perritt Foundation in which they have agreed to implement certain low vision program services and purchase new optical equipment. Such grant revenues are recognized to the extent that the related expenses have been incurred. All other grants received in 2022 and 2021 met the criteria of Financial Accounting Standards Board (FASB) Accounting Standards Codification section 958-605-25 for being recorded as donations.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value based on quoted prices in active markets in the Statement of Financial Position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities and Changes in Net Assets.

Inventories

Inventories of low vision aids purchased for resale are stated at the lower of cost or market determined by the first-in, first-out (FIFO) method.

Property and Equipment

The Institute capitalizes all expenditures in excess of \$500 for property and equipment. Assets are recorded at historical cost. Donations of property and equipment are recorded as support at their estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

**SPECTRIOS INSTITUTE FOR LOW VISION
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
DECEMBER 31, 2022 AND 2021**

Property and Equipment (continued)

Expenditures for maintenance and repairs which do not extend the life of the respective assets are expensed currently. Major additions and betterments are capitalized. When properties are sold or retired, the related cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are reflected. Property and equipment are depreciated using the straight-line method based on useful lives of three (3) to twenty (20) years.

Certain equipment was acquired with grant funds received from the State of Illinois Department of Human Services (DHS). Under terms of the grant agreements, DHS may require that the equipment reverts back to the State if it is no longer used in the Institute's programs.

Compensated Absences

Any unused sick days in an employee's Sick Day Bank will be paid out at the time of the retirement, termination, or resignation in increments of regular quarterly paychecks until the employee's bank is depleted. Persons employed by the Institute prior to January 1, 2003 shall be paid for their accrued sick days up to a maximum of ninety (90) working days as outlined above. Employees of record after January 1, 2003 will be paid out in the same manner up to a maximum of sixty-five (65) working days.

The Institute has accrued a liability for all unused sick days aggregating \$67,922 and \$67,922 as of December 31, 2022 and 2021, respectively.

In 2017, the Institute updated its compensated absences policy. Unused sick days will no longer be carried over to the next calendar year without approval from management.

Contributions

Contributions are recorded as net assets with donor restrictions, or net assets without donor restrictions, depending on the existence or nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as contributions without donor restrictions.

**SPECTRIOS INSTITUTE FOR LOW VISION
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
DECEMBER 31, 2022 AND 2021**

In-Kind Contributions and Contributed Services

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. The Institute recognizes the fair value of contributed services received if such services create or enhance nonfinancial assets or requires specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. In addition, many individuals volunteer their time and perform a variety of donated services that assist the Institute but do not require recognition in the financial statements under Accounting Standards Codification (ASC) *Accounting for Contributions Received and Contributions Made*.

Income Taxes

The Institute is exempt from federal and state income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Institute's tax exempt purpose would be subject to taxation as unrelated business income. In addition, the Institute qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Financial Accounting Standards Board (FASB) issued ASC 740-10-05 "Accounting for Uncertainty in Income Taxes" that clarified the accounting and recognition for income tax positions taken or expected to be taken in the Organization's income tax returns. The Institute adopted the standard in 2010.

The Institute's income tax filings are subject to audit by various taxing authorities. The Institute's open audit periods are 2019 through 2021. In evaluating the Institute's tax provisions and accruals, future taxable income and the reversal of temporary differences, interpretations of tax planning strategies are considered. The Institute believes their estimates are based on current facts and circumstances.

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation. These reclassifications do not change the prior year's financial position.

This information is an integral part
of the accompanying financial statements.

**SPECTRIOS INSTITUTE FOR LOW VISION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 – GRANT RECEIVABLE

Grant receivable at December 31, 2021 is due from a grant of \$210,000 received from the Lions Club International Foundation. Proceeds of the grant are to be used for facility updates, equipment and activities. Grant funding is forwarded after work is completed.

	<u>2021</u>
Work completed to December 31,	\$ 157,981
Amount collected	<u>(157,981)</u>
Grant receivable	<u>\$ ---</u>

In 2022, the Organization received a grant of \$1,000,000 to be paid over four years in annual installments of \$250,000. \$15,000 of the grant each year is restricted for the annual summer camp. The remainder of the grant is without donor restrictions. The Organization received \$250,000 in the year ended December 31, 2022. The grant receivable at December 31, 2022 is \$750,000.

NOTE 2 – INVENTORIES

Inventories consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Non-optical low vision aids	\$ 2,400	\$ 1,312
Optical low vision aids	29,600	23,081
Children’s program low vision aids	<u>8,256</u>	<u>11,444</u>
Total	<u>\$ 40,256</u>	<u>\$ 35,837</u>

NOTE 3 – INVESTMENTS – BOARD-DESIGNATED ENDOWMENT

The Board of Directors has designated \$838,515 and \$994,076 as of December 31, 2022 and 2021, respectively, of net assets without donor restrictions as a general endowment fund to support the mission of the Institute. Since that amount resulted from an internal designation and is not donor restricted, it is classified and reported as net assets without donor restrictions.

The Institute has a spending policy of restricting distributions to a four percent cap of the three-year rolling average of the fund. In establishing this policy, the Institute considered the long-term expected investment return on the endowment. This is consistent with the Institute’s objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

To achieve this objective, the Institute has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes cash and a diversified portfolio of funds representing various asset classes that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of four percent, while growing the fund if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**SPECTRIOS INSTITUTE FOR LOW VISION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 3 – INVESTMENTS – BOARD-DESIGNATED ENDOWMENT (continued)

Composition of and changes in endowment net assets for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Board-designated endowment net assets, beginning of year	\$ 994,076	\$ 860,043
Additions	---	21,025
Interest and dividends	38,569	17,945
Net realized gain (loss)	19,818	36,623
Net unrealized gain	(203,596)	69,368
Administrative and management fees	<u>(10,352)</u>	<u>(10,928)</u>
 Board-designated endowment net assets, end of year	 <u>\$ 838,515</u>	 <u>\$ 994,076</u>

NOTE 4 – DESIGNATED NET ASSETS

As indicated in Note 3, the Board of Directors established a policy creating a permanent endowment, the proceeds of which shall be used for the operations of the Institute. The endowment is funded through an unrestricted contribution from the Lois Deicke Charitable Remainder Trust and net gains from investment activity.

During 2015, the Board of Directors approved a resolution to withdraw \$150,000 from the endowment fund to pay down the line-of-credit. According to the resolution, the Board intended to repay the \$150,000 from future unrestricted contributions at an annual interest rate of 3.25%. At December 31, 2016, the Institute had accrued interest payable on the outstanding balance of \$5,113. In 2017, the Board of Directors reversed its decision to accrue interest on the amount withdrawn. The entire \$150,000 remains outstanding as of December 31, 2022 to be repaid to the endowment fund.

NOTE 5 – BENEFICIARY OF TRUSTSDorothea G. Haaning Trust

The Institute is the income beneficiary of the Dorothea G. Haaning Trust. Covenant Trust Company administers the trust and distributes five percent of the trust each year. Distributions are made on a quarterly basis based on the fair market value of the trust, which is revalued annually. The Institute received distributions of \$48,863 and \$48,120 in unrestricted donations from the trust during 2022 and 2021, respectively. The trust had a principal balance of \$815,097 and \$1,024,585 as of December 31, 2022 and 2021, respectively.

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NOTE 6 – FAIR VALUE MEASUREMENTS

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs are unobservable and have the lowest priority. The Institute uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Institute measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for investments for which Level 1 inputs were not available. Level 3 inputs would only be used if Level 1 or Level 2 inputs were not available.

Level 1 Fair Value Measurements

The fair value of mutual funds are based on quoted net asset values of the shares as reported by the fund. The mutual funds held by the Institute are open-end mutual funds registered with the U. S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at that price. The mutual funds held by the Institute are considered to be actively traded.

Level 2 Fair Value Measurements

The fair value of pooled investment accounts are valued using a market approach on yields currently available on comparable securities of issuers with similar credit ratings.

Level 3 Fair Value Measurements

There may be little or no secondary market for these financial instruments. Prices are estimated values obtained from third parties or issues for financial reporting purposes arising from changes in the market value of such transaction.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Mutual funds: Valued at the daily closing prices as reported by the fund.

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NOTE 6 – FAIR VALUE MEASUREMENTS (continued)

The following table sets forth, by level, within the fair value hierarchy, the Institute's investments at fair value as of December 31, 2022 and 2021:

Fair Value Measurements at the End of the Reporting Period Using:

	12/31/2022 <u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 80,232	\$ 80,232	\$ ---	\$ ---
Mutual funds	<u>845,565</u>	<u>845,565</u>	<u>---</u>	<u>---</u>
Total	<u>\$ 925,797</u>	<u>\$ 925,797</u>	<u>\$ ---</u>	<u>\$ ---</u>

Fair Value Measurements at the End of the Reporting Period Using:

	12/31/2021 <u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 66,836	\$ 66,836	\$ ---	\$ ---
Mutual funds	<u>1,014,522</u>	<u>1,014,522</u>	<u>---</u>	<u>---</u>
Total	<u>\$ 1,081,358</u>	<u>\$ 1,081,358</u>	<u>\$ ---</u>	<u>\$ ---</u>

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NOTE 6 – FAIR VALUE MEASUREMENTS (continued)

The Institute’s investments are adjusted monthly based on income from interest and dividends and market fluctuations. The investments are managed by professional advisors, subject to the Institute’s investment policy. The degree of concentration of credit risk varies by type of investment.

Return on investment consists of the following for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 19,818	\$ 17,945
Net realized gain	38,569	36,623
Net unrealized gain (loss)	(203,596)	69,368
Administrative and management fees	<u>(10,352)</u>	<u>(10,928)</u>
Total	<u>\$ (155,560)</u>	<u>\$ 113,008</u>

Investment income on the Statement of Activities and Changes in Net Assets includes interest on bank deposits for the years ended December 31, 2022 and 2021 of \$177 and \$65, respectively, and is shown net of administrative and management fees.

NOTE 7 – LINE OF CREDIT

The Institute has available a bank line-of-credit for up to \$200,000. The line-of-credit is secured by all Institute assets. The line-of credit agreement expired January 6, 2021 and bore an interest rate of .50% plus the bank’s prime rate. At December 31, 2022 and 2021 the interest rate was 9.50% and 5.25%, respectively. The Institute had no balance outstanding at December 31, 2022 and 2021. After year end, the line-of-credit was renewed until January 6, 2024 with the same terms.

NOTE 8 – RETIREMENT PLAN

The Institute maintains a defined contribution 401(k) retirement plan. Eligible employees may contribute up to 15% of eligible salary. The Plan provides a matching contribution of fifty cents on the dollar up to four percent of pay. The Plan covers substantially all employees and has a plan year end of December 31. Contributions to the plan aggregated \$21,301 and \$7,336 for the years ended December 31, 2022 and 2021, respectively.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 14, 2023, which is the date the financial statements were available to be issued.

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NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

FINANCIAL ASSETS AT YEAR END

	<u>2022</u>
Cash and cash equivalents	\$ 380,458
Investments	925,797
Accounts receivable	29,135
Grant receivable	250,000
Board designated net assets	(838,515)
Donor restricted net assets	<u>(132,282)</u>
Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 614,593</u>

NOTE 11 – PAYCHECK PROTECTION PROGRAM AND ECONOMIC IMPACT DISASTER LOANS

In 2020, the Organization received a Paycheck Protection Program loan of \$111,400, an Economic Impact Disaster Loan (EIDL) of \$150,000 and an EIDL grant of \$10,000. The Paycheck Protection Loan was forgiven in October 2020 and recorded as income. The EIDL had monthly payments of \$641 to begin 12 months after the loan issue date and would continue for 30 years, at a rate of 2.75%. The Organization repaid the outstanding balance of the EIDL totaling \$73,614 in the year ended December 31, 2022.

In 2021, the Organization received a second Paycheck Protection loan of \$132,852. The loan was forgiven and recorded as income in 2021.

NOTE 12 – CASH FLOW INFORMATION

In 2021, the Organization received a donation of stock valued at \$6,025. Cash paid for interest was \$4,177 and \$2,459 in the years ended December 31, 2022, and 2021 respectively. There was no cash paid for taxes in the years ended December 31, 2022, and 2021.

This information is an integral part of
the accompanying financial statements.