Houston Eye Associates Foundation

Financial Report
December 31, 2020

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RSM US LLP

Independent Auditor's Report

Board of Directors
Houston Eye Associates Foundation

Report on the Financial Statements
We have audited the accompanying financial statements of Houston Eye Associates Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2020, the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Foundation as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
The financial statements of the Foundation, as of and for the year ended December 31, 2019, were audited by other auditors, whose report, dated October 19, 2020, expressed an unmodified opinion on those statements.

RSM US LLP

San Antonio, Texas
January 5, 2022

Houston Eye Associates Foundation

Statements of Financial Position
December 31, 2020 and 2019

		2020		2019
Assets				
Current assets:				
Cash and cash equivalents	**$**	**1,268,104**	$	239,286
Investments		**2,227,314**		2,289,785
Other receivables		**945**		1,945
Total current assets		**3,496,363**		2,531,016
Property and equipment, net		**4,099**		4,863
Total assets	**$**	**3,500,462**	$	2,535,879
Liabilities and Net Assets				
Liabilities:				
Accounts payable	**$**	**22,578**	$	54,607
Accrued expenses		**86,262**		-
Due to related parties, net		**126,736**		268,012
Total liabilities		**235,576**		322,619
Net assets:				
Without donor restrictions		**3,257,379**		2,205,753
With donor restrictions		**7,507**		7,507
		3,264,886		2,213,260
Total liabilities and net assets	**$**	**3,500,462**	$	2,535,879

See notes to financial statements.

Houston Eye Associates Foundation

Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Donated services	$ 1,780,116	$ -	$ 1,780,116
Donated facilities	826,312	-	826,312
Contributions	1,353,089	-	1,353,089
Net investment return	237,332	-	237,332
Special events	44,032	-	44,032
Total revenue	4,240,881	-	4,240,881
Expenses:			
Patient services	3,097,958	-	3,097,958
Management and general	59,502	-	59,502
Fundraising	31,795	-	31,795
Total expenses	3,189,255	-	3,189,255
Change in net assets	1,051,626	-	1,051,626
Net assets, beginning of year	2,205,753	7,507	2,213,260
Net assets, end of year	$ 3,257,379	$ 7,507	$ 3,264,886

See notes to financial statements.

Houston Eye Associates Foundation

Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Donated services	$ 2,703,915	$ -	$ 2,703,915
Donated facilities	1,476,064	-	1,476,064
Contributions	303,828	-	303,828
Net investment return	363,628	-	363,628
Special events	89,784	-	89,784
Total revenue	4,937,219	-	4,937,219
Expenses:			
Patient services	4,673,067	-	4,673,067
Management and general	42,926	-	42,926
Fundraising	66,307	-	66,307
Total expenses	4,782,300	-	4,782,300
Change in net assets	154,919	-	154,919
Net assets, beginning of year	2,050,834	7,507	2,058,341
Net assets, end of year	$ 2,205,753	$ 7,507	$ 2,213,260

See notes to financial statements.

Houston Eye Associates Foundation

Statement of Functional Expenses
Year Ended December 31, 2020

	Patient Services	Management and General	Fundraising	Total
Program and supporting salaries and benefits	$ 153,282	$ 18,472	$ 29,256	$ 201,010
Promotion	330	165	800	1,295
Professional fees	-	21,000	-	21,000
Rent expense	4,431	594	886	5,911
Patient medical expenses	331,782	-	-	331,782
Postage and printing	1,705	256	-	1,961
Specific assistance - donated services and facilities	2,606,428	-	-	2,606,428
Office supplies and expense	-	15,579	687	16,266
Depreciation	-	2,450	-	2,450
Accounting, bank fees and allocated overhead	-	986	166	1,152
	$ 3,097,958	$ 59,502	$ 31,795	$ 3,189,255

See notes to financial statements.

Houston Eye Associates Foundation

Statement of Functional Expenses
Year Ended December 31, 2019

	Patient Services	Management and General	Fundraising	Total
Program and supporting salaries and benefits	$ 156,577	$ 20,444	$ 31,315	$ 208,336
Promotion	-	29	32,072	32,101
Professional fees	-	19,064	-	19,064
Insurance	-	151	-	151
Rent expense	2,532	338	506	3,376
Patient medical expenses	330,832	-	-	330,832
Postage and printing	3,147	55	-	3,202
Specific assistance - donated services and facilities	4,179,979	-	-	4,179,979
Office supplies and expense	-	1,870	2,414	4,284
Depreciation	-	975	-	975
	$ 4,673,067	$ 42,926	$ 66,307	$ 4,782,300

See notes to financial statements.

Houston Eye Associates Foundation

Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	**$ 1,051,626**	$ 154,919
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**2,450**	975
Net realized and unrealized gain on investments	**(237,332)**	(308,835)
Change in operating assets and liabilities:		
Other receivables	**1,000**	(1,945)
Accounts payable	**(32,029)**	16,490
Accrued liabilities	**86,262**	-
Due to related party, net	**(141,276)**	143,446
Net cash provided by operating activities	**730,701**	5,050
Cash flows from investing activities:		
Purchase of property and equipment	**(1,686)**	(1,978)
Proceeds from sale of investments	**643,201**	51,904
Purchases of investments	**(343,398)**	(101,698)
Net cash provided by (used in) investing activities	**298,117**	(51,772)
Net increase (decrease) in cash and cash equivalents	**1,028,818**	(46,722)
Cash and cash equivalents:		
Beginning of year	**239,286**	286,008
End of year	**$ 1,268,104**	$ 239,286

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Houston Eye Associates Foundation (the Foundation) is committed to preserving and restoring sight with comprehensive eye care surgeries, medications, and ancillary services for individuals in financial hardship; and supporting education and research initiatives for the benefit of the community. Physicians of Houston Eye Associates and other partnering medical professionals donate their office time and surgical skills and Houston Eye Associates Foundation pays for hospital and surgical facility fees, vision-saving medications, medically necessary lenses, eyeglasses, cornea tissue, anesthesia, laboratory services, prosthetics and other ancillary services.

Basis of presentation: The financial statements of the Foundation have been prepared on the accrual basis of accounting applicable to not-for-profit organizations in accordance with accounting principles generally accepted in the United State of America (U.S. GAAP).

Net assets without donor restrictions: Net assets without donor restrictions consist of net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions result from operating revenues, unconditional contributions and dividend and interest income. These net assets may be designated by the Foundation for specific purposes under internal operating and administrative arrangements or be subject to contractual agreements with external parties. The Foundation has no net assets designated by the Board as of December 31, 2020 and 2019.

Net assets with donor restrictions: Net assets with donor restrictions consists of net assets that are subject to donor-imposed restrictions. Certain donor-imposed restrictions are temporary in nature and will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature and require the Foundation to maintain the contributed resources in perpetuity. Generally, the donors of assets with perpetual restrictions permit the Foundation to use all or part of the income earned on these resources for general or specific purposes.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the period. Accordingly, actual results could differ significantly from those estimates.

Cash and cash equivalents: For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents and consist of money market funds.

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

Investments: The Foundation records investments at fair value, which 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.

Realized and unrealized gains and losses, net of external and direct internal investment expenses are reflected within net investment return in the statements of activities.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Property and equipment: Property and equipment are stated at cost less accumulated depreciation. Donated equipment is recorded at fair value at the date of the donation. The Foundation capitalized costs incurred to purchase software for internal use which are amortized over three years. As of December 31, 2020 and 2019, the Foundation had capitalized software costs of $11,520 and accumulated depreciation of $11,520. As of December 31, 2020 and 2019, the Foundation capitalized furniture, fixtures and computers costs of $14,076 and $12,390, respectively, and accumulated depreciation of $9,977 and $7,527, respectively. Furnitures and fixtures are depreciated over five years. Computers are depreciated over three years. Depreciation expense during the years ended December 31, 2020 and 2019 totaled $2,450 and $975, respectively.

Donated services and facilities: Donations of materials, services and facilities are recorded at fair value for donations having a measurable and objective basis of valuation. The Foundation recognizes contributed "donated" services received that require specialized skills or that would enhance non-financial assets which would have been purchased, if not acquired through donation. The Foundation's policy is to value and record donated physician services based on the physician's standard fee schedule as updated annually as the best objective measure of those services. Likewise, donated facilities are also valued and recorded using the standard rate charged for such facilities. The estimate of those fair values is reviewed and revised annually as needed.

Contributions: Contributions are recognized as revenue when they are received or unconditionally pledged. A contribution made or grant is considered conditional when it has both, a barrier which must be overcome and a right of return or release. A conditional contribution is recognized as revenue when the barrier is overcome.

The Foundation reports gifts of cash and other assets as restricted support when they are received with donor stipulations that limit the use or timing of use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity, the assets are reported as donor-restricted endowment contributions. When a donor restriction expires, that is, when a stipulated time restriction ends or program restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restriction and reported in the statements of activities and changes in net assets as net assets released from restriction. When restrictions are met in the same year as a gift is received, the related contributions are reported as without donor restriction contribution revenue.

Special events: Special events revenue is recorded at the time of the event net of direct cost of benefits to attendees.

Income taxes: The Foundation is a not-for-profit organization exempt from federal income taxes under the Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made related to the Foundation; however, should the Foundation engage in activities unrelated to the purpose for which it was created, taxable income could result. The Foundation has not incurred any federal income tax for the years ended December 31, 2020 and 2019.

Management evaluated the Foundation's tax position and concluded that the Foundation had taken no uncertain tax positions that required adjustment to the financial statements to comply with the provision of the Accounting Standards Codification guidance related to uncertain tax positions.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

New accounting pronouncement - recently adopted: In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made.* ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits (NFP) to identify and account for contributions made. The adoption of ASU No. 2018-08 did not have a material impact on the financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. The Company will also need to apply new guidance to determine whether revenue should be recognized over time or at a point in time. The adoption of ASU No. 2014-09 did not have a material impact on the financial statements.

Recent accounting pronouncements: In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* ASU 2020-07 clarifies requirements for the recognition and initial measurement of contributions and disclosure requirements for contributed services. The ASU also improves financial reporting by providing new presentation and disclosure requirements regarding contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The new standard is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. The Foundation is currently evaluating the impact of the adoption of this guidance on its financial statements.

Contingencies: Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Foundation, but which will only be resolved when one or more future events occur or fail to occur. The Foundation's management and its legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Foundation or unasserted claims that may result in such proceedings, the Foundation's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Foundation's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Risks and uncertainties: The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of businesses and people throughout the United States. The continued spread of COVID-19 may adversely impact the local, regional and national economies. The extent to which the coronavirus impacts the Foundation's results will depend on future developments, which are highly uncertain and cannot be predicted. The impact is highly dependent on the breadth and duration of the outbreak and could be affected by other factors that cannot currently be predicted. Accordingly, management cannot presently estimate the overall operational and financial impact to the Foundation, but such an impact could have material adverse effects on the financial condition of the Foundation.

Functional allocation of expenses: The costs of providing the activities of the Foundation have been summarized on a functional basis in the statements of functional expenses. Expenses which apply to more than one functional category have been allocated between patent services, management and general, and fundraising based on the time and effort of the employees involved.

Reclassifications: Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation. There were no changes to the previously reported net assets.

Subsequent event review: In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through January 5, 2022, the date on which the financial statements were available to be issued.

Note 2. Fair Value Measurements

Guidance provided by the FASB defines fair value as 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. The Foundation utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs to the valuation methodology are observable, other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means. The Foundation has no level 2 investments.

Level 3: Inputs to the valuation methodology are unobservable inputs for determining the fair values of assets of liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities. The Foundation has no level 3 investments.

Note 2. Fair Value Measurements (Continued)

The Foundation assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer.

The following table represents all assets measured at fair value on a recurring bases, as of December 31, 2020 and 2019, and by level within the fair value measurement hierarchy. The Foundation has no assets or liabilities carried at fair value on a nonrecurring basis as of December 31, 2020 and 2019.

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Bond	$ 668,028	$ -	$ -	$ 668,028
Blend	568,738	-	-	568,738
International	681,131	-	-	681,131
Value	196,526	-	-	196,526
Real estate	112,891	-	-	112,891
Total mutual funds	2,227,314	-	-	2,227,314
Total investments at fair value	$ 2,227,314	$ -	$ -	$ 2,227,314

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Bond	$ 692,222	$ -	$ -	$ 692,222
Blend	728,853	-	-	728,853
International	555,408	-	-	555,408
Value	193,603	-	-	193,603
Real estate	119,699	-	-	119,699
Total mutual funds	2,289,785	-	-	2,289,785
Total investments at fair value	$ 2,289,785	$ -	$ -	$ 2,289,785

Note 3. Net Assets with Donor Restrictions

Net assets with donor restrictions totaled $7,507 for both years ended December 31, 2020 and 2019, and contain specific purpose and/or time restrictions relating to fundraising activities or providing medical and surgical care to those patients needing financial assistance.

Note 4. Donated Services and Facilities

The Foundation is provided services by physicians of HEA Clinic, P.A., an ophthalmologists' association operating as Houston Eye Associates (HEA Clinic) and other non-HEA Clinic ophthalmologists within Houston. These physicians donate office visits to determine if surgery is needed, perform the surgeries when needed, and provide follow-up care after surgery, if required. Gramercy Outpatient Surgery Center (GOSC) and HEA Gramercy Surgery Center, PLLC (HEA Surgery Center), both outpatient surgery facilities, provide use of their facilities for surgery at a charge that approximates cost. Any profits received by HEA Clinic from the GOSC related to Foundation patients are contributed to the Foundation by HEA Clinic. Included in patient services expense is $2,606,428 and $4,179,979 relating to donated physicians' services and donated facilities for the years ended December 31, 2020 and 2019, respectively. The donated physicians' services are valued by using the physicians' standard fees for the services performed. The donated facilities are valued by using the standard rate charged for use of the facilities less any actual charges paid by the Foundation. Other professional healthcare services and ancillary items are also provided to the Foundation at a discounted rate by other non-HEA Clinic entities and are valued based on the rate charged to the Foundation.

A breakdown of the estimated value of the donated services and facilities is as follows:

	2020	2019
Donated office/injectable time	$ 305,704	$ 493,402
Donated surgery time	1,244,749	1,891,509
Donated facilities	826,312	1,476,064
Donated anesthesia	156,061	198,710
Donated optical	14,814	27,759
Donated cornea tissue	18,680	28,970
Donated medications	13,551	28,740
Donated pharmacy	26,557	34,825
	$ 2,606,428	$ 4,179,979

Note 5. Liquidity and Availability of Resources

The following reflects the Foundation's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general expenditure due within one year. The Foundation regularly monitors liquidity required to meet its annual operating needs while also striving to maximize the return on investment of funds not required for operations. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

	2020	2019
Financial assets at year-end		
Cash and cash equivalents	$ 1,268,104	$ 239,286
Investments	2,227,314	2,289,785
Other receivables	945	1,945
Less financial assets with donor restriction	(7,507)	(7,507)
	$ 3,488,856	$ 2,523,509

Note 6. Related Party Transactions

The Foundation's office space and related administrative employees are located inside the HEA Clinic facility. Certain members of the Board of Directors of the Foundation are also shareholders and physicians of HEA Clinic. Certain administrative salary and occupancy related expenses have been charged to the Foundation based upon criteria established by HEA Clinic management. Included in the patient services and management and general expenses on the statements of functional expenses are $261,990 and $88,423 for these expenses for the years ended December 31, 2020 and 2019, respectively. Amount due to HEA Clinic at December 31, 2020 and 2019 was $124,931 and $171,876, respectively.

HEA Clinic wholly owns HEA Surgery Center. Included in patient medical expense on the statements of functional expenses for the years ended December 31, 2020 and 2019 is $75,454 and $137,573 of charges from HEA Surgery Center. Amount due to HEA Surgery Center at December 31, 2020 and 2019 was $1,805 and $76,271, respectively.

HEA Clinic held a minority ownership interest in GOSC that was sold during 2019. Included in patient medical expenses on the statement of functional expenses for the year ended December 31, 2019 is $48,242 of charges from GOSC. Amount due to GOSC at December 31, 2019 was $18,646.

Additionally, there were other related party transactions included in patient medical expenses on the statements of functional expenses for the years ended December 31, 2020 and 2019 of approximately $0 and $7,000, respectively, with an amount due as of December 31, 2020 and 2019 of $0 and $1,219, respectively.

During June 2018, the Foundation entered into a management services agreement with the Eye Care tor Kids Foundation (ECFK), a Houston area foundation who provided eye care screenings to school age children. The agreement provided that the Foundation would carry out certain management and accounting services, including the Executive Director of the Foundation serving in the same capacity for ECFK, as well as pay certain operation expenses up to $50,000 a year. Because of this relationship, it was determined that the Foundation had an ongoing economic interest in ECFK as of December 31, 2018. In June 2019, the management service agreement expired and ECFK Foundation was closed. Summary financial information for ECFK as of and for the year ended December 31, 2019:

	(Unaudited) 2019
Total assets	$ -
Total liabilities	-
Net deficit	-
Revenues	75,838
Expenses	75,973

Additionally, certain doctors of HEA Clinic served as board members of Eye Care for Kids Foundation. However, the two entities maintained separate governing board of directors for 2019. During the year ended December 31, 2019, the Foundation paid patient expenses of $15,000 on behalf of the Eye Care for Kids Foundation.