

OneSight

**Financial Statements with Accompanying Information
December 31, 2018 and 2017, and
Independent Auditors' Report**

ONESIGHT

December 31, 2018 and 2017

Contents

	<u>Page(s)</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 15

Independent Auditors' Report

To the Board of Directors
of OneSight

We have audited the accompanying financial statements of OneSight (the "Company"), which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statements of activities, functional expenses, 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.

Auditor's 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 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 OneSight as of December 31, 2018 and 2017, 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.

**Independent Auditors' Report
(Continued)**

Effect of Adopting New Accounting Standard

As discussed in Note 1, OneSight has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Our opinion is not modified with respect to that matter.

Barnes, Dennig & Co., Ltd.

April 11, 2019
Cincinnati, Ohio

ONESIGHT

Statements of Financial Position December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 751,131	\$ 259,902
Contributions receivable	732,998	865,268
Prepaid expenses and other	411,426	255,142
Investments	13,657,386	15,639,951
Inventory	8,325,821	7,809,825
Property and equipment, net	<u>2,509,159</u>	<u>1,708,062</u>
Total assets	<u>\$ 26,387,921</u>	<u>\$ 26,538,150</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and other accrued expenses	\$ 1,755,609	\$ 1,100,935
Accrued salaries and related	710,023	802,628
Deferred sponsorships	<u>-</u>	<u>300,000</u>
Total liabilities	<u>2,465,632</u>	<u>2,203,563</u>
Net Assets		
Without donor restrictions	23,872,289	24,081,465
With donor restrictions	<u>50,000</u>	<u>253,122</u>
Total net assets	<u>23,922,289</u>	<u>24,334,587</u>
Total liabilities and net assets	<u>\$ 26,387,921</u>	<u>\$ 26,538,150</u>

See accompanying notes to financial statements

ONESIGHT

Statements of Activities Years Ended December 31, 2018 and 2017

	2018	2017
Revenue, gains and other support without donor restrictions		
In-kind contributions	\$ 1,617,302	\$ 2,341,675
Individual giving	5,845,609	5,765,513
Corporate giving	10,022,217	10,693,262
Special events	224,987	143,646
Grants	25,000	25,000
Other income (loss)	(3,117)	13,356
Investment income	450,307	430,722
Realized gain on investments	314,418	226,643
Net assets released from restriction	253,122	756,029
Total revenues, gains and other support without donor restrictions	18,749,845	20,395,846
Expenses		
Program services:		
Global clinics	3,354,344	3,676,411
Sustainable developing markets	2,993,183	5,671,394
Regional clinics	2,381,128	2,351,304
Volunteer coordination	652,157	429,753
Sustainable developed markets	933,339	1,081,167
Resource center operations	728,380	887,236
Outreach	134,521	436,405
In-store programs	1,356,281	1,715,201
Total program services	12,533,333	16,248,871
Supporting activities:		
Fundraising	1,428,775	650,823
Special events	207,454	24,826
Program administration	3,565,770	4,125,194
Total supporting activities	5,201,999	4,800,843
Total expenses	17,735,332	21,049,714
Change in net assets without donor restrictions from operations	1,014,513	(653,868)
Unrealized gains (losses) on investments	(1,223,689)	757,543
Change in net assets without donor restrictions	(209,176)	103,675
Net assets with donor restrictions		
Net assets released from restriction	(253,122)	(756,029)
Return of restricted contributions	-	(140,881)
Contributions	50,000	253,122
Change in net assets with donor restrictions	(203,122)	(643,788)
Change in net assets	(412,298)	(540,113)
Net assets, beginning of year	24,334,587	24,874,700
Net assets, end of year	\$ 23,922,289	\$ 24,334,587

See accompanying notes to financial statements

ONESIGHT

Statement of Functional Expenses Year Ended December 31, 2018

	Program Services							Supporting Activities				
	Total	Global Clinics	Sustainable Developing Markets	Regional Clinics	Volunteer Coordination	Sustainable Developed Markets	Resource Center Operations	Outreach	In-Store Programs	Fundraising	Special Events	Program Administration
Salaries and wages	\$ 4,277,523	\$ 526,303	\$ 504,617	\$ 478,060	\$ 206,960	\$ 206,081	\$ 431,631	\$ 100,568	\$ 25,832	\$ 527,660	\$ 54,411	\$ 1,215,400
Travel/lodging/meals	2,834,093	1,322,469	270,758	1,000,555	16,448	20,596	16,750	3,886	695	40,769	7,214	133,953
Grants awarded and donations	1,684,832	32,500	1,064,183	-	-	588,149	-	-	-	-	-	-
Donated goods and services	1,466,689	-	-	-	-	-	71,241	-	1,321,448	-	-	74,000
Depreciation	754,451	78,242	75,732	76,843	197,898	-	65,561	-	-	87,089	-	173,086
Postage and freight	718,961	380,871	185,625	127,508	7	1,965	519	55	1,557	18,429	2,044	381
Frame and lens usage	650,092	487,024	28,126	104,163	-	26,065	-	4,714	-	-	-	-
Employee benefits	635,857	69,718	62,528	101,590	43,227	22,249	41,761	16,325	3,504	46,044	7,728	221,183
Purchased services	609,230	2,371	74,093	45,475	96,252	35,300	11,738	-	-	194,834	25,000	124,167
Printing and supplies	434,057	91,670	10,075	104,043	14,458	821	37,612	-	-	98,505	3,112	73,761
Payroll taxes	353,593	33,013	39,464	43,666	23,028	18,902	38,588	7,546	3,037	40,986	1,758	103,605
Maintenance / minor equipment purchases	152,842	52,465	25,707	61,254	-	-	9,115	-	-	-	-	4,301
Video / photography costs	85,399	-	-	-	-	-	-	-	-	25,175	-	60,224
All other expenses	3,077,713	277,698	652,275	237,971	53,879	13,211	3,864	1,427	208	349,284	106,187	1,381,709
	<u>\$ 17,735,332</u>	<u>\$ 3,354,344</u>	<u>\$ 2,993,183</u>	<u>\$ 2,381,128</u>	<u>\$ 652,157</u>	<u>\$ 933,339</u>	<u>\$ 728,380</u>	<u>\$ 134,521</u>	<u>\$ 1,356,281</u>	<u>\$ 1,428,775</u>	<u>\$ 207,454</u>	<u>\$ 3,565,770</u>

See accompanying notes to financial statements

ONESIGHT

Statement of Functional Expenses Year Ended December 31, 2017

	Program Services							Supporting Activities				
	Total	Global Clinics	Sustainable Developing Markets	Regional Clinics	Volunteer Coordination	Sustainable Developed Markets	Resource Center Operations	Outreach	In-Store Programs	Fundraising	Special Events	Program Administration
Salaries and wages	\$ 3,786,731	\$ 426,839	\$ 500,123	\$ 489,805	\$ 102,119	\$ 81,903	\$ 495,011	\$ 43,638	\$ 45,207	\$ 359,727	\$ 18,041	\$ 1,224,318
Travel/lodging/meals	3,437,930	1,493,014	783,081	975,820	-	11,074	16,211	-	-	9,506	-	149,224
Grants awarded and donations	3,038,697	-	2,154,585	-	-	883,897	-	-	-	215	-	-
Donated goods and services	2,144,740	3,246	(3,753)	(1,920)	-	(987)	71,969	(580)	1,652,275	(3,104)	(861)	428,455
Depreciation	575,130	61,719	10,368	46,461	168,853	-	94,461	-	-	31,460	-	161,808
Postage and freight	1,332,566	429,920	774,575	92,469	-	1,792	24,893	12	225	4,450	-	4,230
Frame and lens usage	1,493,701	647,672	480,896	71,351	-	18,812	-	274,970	-	-	-	-
Employee benefits	461,369	48,311	56,713	61,037	-	10,546	62,846	5,169	6,025	33,142	2,390	175,190
Purchased services	780,701	54,663	55,893	176,703	-	18,162	37,881	4,024	4,024	24,151	-	405,200
Printing and supplies	609,745	111,237	167,267	120,052	-	1,694	18,916	4,221	1,696	68,991	2	115,669
Payroll taxes	336,616	36,156	42,035	46,025	-	7,848	47,434	3,889	4,332	24,555	1,729	122,613
Maintenance / minor equipment purchases	728,778	11,184	501,956	49,601	-	3	8,912	-	-	12	1	157,109
Video / photography costs	392,159	-	-	-	-	-	-	-	-	1,500	-	390,659
All other expenses	1,930,851	352,450	147,655	223,900	158,781	46,423	8,702	101,062	1,417	96,218	3,524	790,719
	<u>\$ 21,049,714</u>	<u>\$ 3,676,411</u>	<u>\$ 5,671,394</u>	<u>\$ 2,351,304</u>	<u>\$ 429,753</u>	<u>\$ 1,081,167</u>	<u>\$ 887,236</u>	<u>\$ 436,405</u>	<u>\$ 1,715,201</u>	<u>\$ 650,823</u>	<u>\$ 24,826</u>	<u>\$ 4,125,194</u>

See accompanying notes to financial statements

ONESIGHT

Statements of Cash Flows Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (412,298)	\$ (540,113)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	754,451	575,130
In-kind contributions of inventory	(149,126)	(198,746)
Realized and unrealized (gains) losses on investments	909,271	(984,186)
Changes in:		
Contributions receivable	132,270	(802,640)
Due from related parties	-	1,005,852
Prepaid expenses and other	(156,284)	(165,336)
Inventory	(366,870)	997,416
Accounts payable and other accrued expenses	424,990	91,373
Due to related parties	-	(537,885)
Accrued payroll and related	(92,605)	802,628
Deferred sponsorships	(300,000)	-
	743,799	243,493
Cash flows from investing activities		
Purchases of property and equipment	(1,325,864)	(622,845)
Purchases of investments	(2,496,706)	(4,327,484)
Proceeds from sale of investments	3,570,000	3,921,000
	(252,570)	(1,029,329)
Net change in cash and cash equivalents	491,229	(785,836)
Cash and cash equivalents, beginning of year	259,902	1,045,738
Cash and cash equivalents, end of year	\$ 751,131	\$ 259,902
Supplemental disclosures of noncash activities		
Purchase of property included in accounts payable and accrued expenses	\$ 229,684	\$ 36,024

See accompanying notes to financial statements

ONESIGHT

Notes to Financial Statements

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

OneSight is an Ohio not-for-profit corporation that was founded on March 16, 1993. OneSight is organized and operated exclusively for charitable and educational purposes by providing eye care and eyeglasses to the underprivileged and by providing optical education to people in the United States and abroad.

Business Combination

Effective June 6, 2017, OneSight acquired the assets and assumed the liabilities of OneSight Research Foundation, with the intention of consolidating the administrative and programmatic functions of the organizations. There was no consideration provided by OneSight and the fair value of assets acquired, and liabilities assumed by OneSight on June 6, 2017 was \$1,862,481 of cash and investments, which were recognized as an unrestricted contribution during the year ended December 31, 2017.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). OneSight is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net asset with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Fair Value Measurements

GAAP has a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

Cash and Cash Equivalents

OneSight considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist primarily of money market accounts. OneSight maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. OneSight has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Inventory

Inventory consists primarily of donated and purchased frames and lenses. Inventory is stated at the lower of cost or market determined by the weighted average cost method.

ONESIGHT

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Return

Investments are carried at fair value. Investment return includes dividend and interest income and realized and unrealized gains and losses on investments, net of investment expenses.

Investment return is reflected in the statements of activities as with donor restrictions or without donor restrictions based upon the existence and nature of any donor imposed restrictions.

Property and Equipment

Property and equipment are recorded at cost or, if donated or impaired, at fair value at the time of the gift or determination. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Major improvements are capitalized, while maintenance and repairs are expensed as incurred.

Under applicable GAAP for property and equipment, OneSight assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions. Based on its most recent analysis, OneSight believes no impairments existed at December 31, 2018 and 2017.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue without donor restrictions and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue with donor restrictions and net assets with donor restrictions. When a donor's 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. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue without donor restrictions.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Noncash Donations

OneSight receives certain donated frames and lenses which are recorded at fair market value as contribution revenue in the year received and as an expense in the financial statements in the year given away.

ONESIGHT

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

OneSight is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of Ohio state law. However, OneSight is subject to federal income tax on any unrelated business taxable income.

OneSight's IRS Form 990 is subject to review and examination by federal and state authorities. OneSight believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statement.

Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional classification basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services. Such allocations are determined by management on an equitable basis. The most significant allocations were salaries and related expenses, which were allocated based upon estimates of time spent by OneSight personnel, and occupancy and depreciation, which were allocated based on square footage

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Event Evaluation

In preparing its financial statements, OneSight has evaluated events subsequent to the statement of financial position date through April 11, 2019, which is the date the financial statements were available to be issued.

Reclassifications

Certain 2017 figures have been reclassified to conform to the 2018 presentation.

ONESIGHT

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effect of Adopting New Accounting Standard

In 2018, OneSight adopted Financial Accounting Services Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Net asset classifications have been reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two classes (net assets without donor restrictions and net assets with donor restrictions). In addition, updated disclosure requirements are presented regarding risk exposure and availability of cash for short-term use and expenses are reported by both natural and functional classification. OneSight adopted ASU 2016-14 as of January 1, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented except for disclosing information about liquidity and availability of resources, which is permitted to be omitted for any periods presented before the period of adoption.

New Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the calendar year ending December 31, 2019.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the calendar year ending December 31, 2020.

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard clarifies how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The standard also requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. This standard will be effective for the calendar year ending December 31, 2019.

OneSight is currently in the process of evaluating the impact of adoption of these ASU's on the financial statements.

ONESIGHT

Notes to Financial Statements (Continued)

NOTE 2 LIQUIDITY AND AVAILABILITY

OneSight's financial assets available within one year of the statement of financial position date for general expenditure are as follows as of December 31, 2018:

Cash and cash equivalents	\$ 701,131
Contributions receivable	732,998
Investments	<u>13,657,386</u>
	<u>\$ 15,091,515</u>

As part of OneSight's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, OneSight invests cash in excess of daily requirements in short-term and long-term investments. OneSight has historically generated enough fundraising to meet daily operating needs and has not often had to utilize funds from long-term investments. As the goal of OneSight is ultimately to spend the money raised on providing access to vision care to those who need it most, OneSight will ensure it maintains at least 6 months of forecasted operating expenses in the Investment Account but not more than 12 months. The upper limit may be extended if there is a long-term plan approved by the Board where the funds are being held for future use.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31, 2018 and 2017 consisted of contributions collected through various fundraising programs, but not yet remitted to OneSight. All contributions receivable are expected to be remitted to OneSight within one year. No discount or allowance has been applied as of December 31, 2018 and 2017.

NOTE 4 INVESTMENTS

Investments as of December 31 consisted of the following:

	<u>2018</u>	<u>2017</u>
Level 1:		
Fixed income mutual funds	\$ 3,971,636	\$ 3,817,644
Domestic stock mutual funds	2,618,127	2,951,913
International stock mutual funds	933,055	1,711,650
Alternative strategy mutual funds	658,634	1,379,428
Common stock	632,592	932,390
Real estate mutual funds	434,925	709,266
Level 2:		
Money market funds	2,557,989	2,233,348
Corporate bonds	1,041,596	1,199,679
US Treasury, agency and government securities	<u>808,832</u>	<u>704,633</u>
	<u>\$ 13,657,386</u>	<u>\$ 15,639,951</u>

ONESIGHT

Notes to Financial Statements (Continued)

NOTE 4 INVESTMENTS (CONTINUED)

Fair value for money market funds is determined by a third party utilizing models that use as their basis readily observable market parameters. These assets are categorized using Level 2 inputs. There are no valuations using Level 3 inputs.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment as of December 31 consisted of the following:

	<u>2018</u>	<u>2017</u>
Vision vans	\$ 1,299,179	\$ 1,299,179
Clinic equipment	2,222,914	1,311,325
Resource center equipment	559,791	526,494
Software	2,347,842	1,799,068
Leasehold improvements	231,199	231,199
Construction in progress	317,045	255,157
Less: accumulated depreciation	<u>(4,468,811)</u>	<u>(3,714,360)</u>
	<u>\$ 2,509,159</u>	<u>\$ 1,708,062</u>

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2018 and 2017 were restricted for the purpose of future programming.

Net assets were released from donor restrictions during 2018 and 2017 by incurring expenses satisfying the programming restricted purpose.

ONESIGHT

Notes to Financial Statements (Continued)

NOTE 7 RELATED PARTY TRANSACTIONS

Prior to 2017, Luxottica Retail North America Inc. (LRNA) was the employer of record for all personnel dedicated to OneSight and the payroll-related expenses of those personnel was donated as an in-kind contribution to OneSight. Beginning in January 2017, OneSight reimbursed LRNA for the cost of OneSight-dedicated personnel and officially became the employer of record of OneSight dedicated personnel as of May 7, 2017. Additionally, effective May 7, 2017, OneSight entered into a master agreement with LRNA whereby LRNA committed 6,000,000 Euro for the years ended December 31, 2017 and 2018, contingent upon receiving certain employee engagement and recognition opportunities. OneSight has not experienced any other operational changes related to this change in funding method. In addition to monetary funding, the master agreement also specifies the free use of workspace by OneSight and reimbursement by OneSight to LRNA for actual costs incurred in connection with OneSight's use of office phones, printing/copying, office supplies and computer equipment provided by LRNA. Effective July 2017, the master agreement was amended to restate the committed funding in USD, providing for \$6,586,914 and \$6,780,000 in 2017 and 2018 respectively. Effective June 2018, the master agreement was further amended to extend the agreement through December 31, 2019 and commit funding of \$6,780,000 in 2019. This future commitment is conditional upon certain matters outlined in the master agreement; thus, the revenue will be recognized when the respective conditions are met in future years. This agreement can be terminated by either party, without penalty or termination fee, upon 180 days prior written notice to the other party.

Luxottica Retail North America Inc. (LRNA), Luxottica North America Distribution LLC (LNAD), Luxottica USA LLC, Eyemed Vision Care LLC, Oliver Peoples, Inc. Oakley Inc., Ray-Ban Sun Optics India Ltd., and Luxottica SEA PTE Ltd. are consolidated entities of Luxottica Group, SpA. Prior to May 7, 2017, LRNA and LNAD were considered related parties of OneSight by virtue of providing administrative, program, planning and direction, legal, bookkeeping support, office space, and distribution services to OneSight.

As a result of entering into the master agreement with LRNA and becoming the employer of record for former LRNA associates, OneSight formally obtained control of its financial and operational policies to allow for pursuing its own interests. Therefore, Luxottica SpA, LRNA and LNAD are not considered related parties as of May 7, 2017.

LRNA, LNAD, Luxottica USA LLC, Oliver Peoples, Inc., and Ray-Ban Sun Optics India Ltd. also donate inventory for use in OneSight's operations. OneSight's management makes its best estimate, based on currently available information, to determine the fair value of donated services and inventory, and believes that the fair values of these in-kind contributions are reasonable. However, the fair value of the contributions may not necessarily be indicative of values that would have been recognized by OneSight had it obtained these services and inventories independently. The fair value of in-kind contributions reflects an estimate of the cost incurred by LRNA, LNAD, and other related parties in providing these contributions.

ONESIGHT

Notes to Financial Statements (Continued)

NOTE 7 RELATED PARTY TRANSACTIONS (CONTINUED)

Total in-kind contributions received from entities of Luxottica Group approximate \$1,909,000 (9% of revenue without donor restrictions) in 2017. The composition of in-kind contributions for the year ended December 31, 2017, is approximately as follows:

Voucher program (frames, lenses, manufacturing)	\$ 1,650,000
Resource center and office space	144,000
Inventory (frames, lenses, sunglasses, and readers)	103,000
Legal services and insurance	54,000
Cost of skilled personnel	(42,000)
	<u>\$ 1,909,000</u>

Total cash contributions from Luxottica Group, SpA, Luxottica USA LLC, Eyemed Vision Care LLC, LRNA, Oakley Inc., and Luxottica SEA PTE Ltd. were \$6,611,914 for 2017.

NOTE 8 EMPLOYEE BENEFIT PLAN

Effective May 2017, OneSight established a defined contribution 401(k) plan (Plan) for all eligible employees. OneSight matches 100% of the employee's elective deferrals up to 5% of eligible compensation and may make a discretionary additional matching contribution. Total contributions to the Plan were \$135,973 and \$69,842 for 2018 and 2017, respectively.

NOTE 9 COMMITMENTS AND CONTINGENCIES

From time to time, OneSight is a defendant in lawsuits as a result of services provided through its operations. At December 31, 2018, OneSight is not aware of any pending or threatening litigation.

NOTE 10 SIGNIFICANT CONCENTRATIONS

GAAP requires disclosure of current vulnerabilities due to certain concentrations. As described in Note 7, OneSight was previously a related party of and received a significant amount of direct funding from Luxottica Group, SpA, LRNA and LNAD through cash contributions and in-kind donations. Approximately 46% and 42% of total revenue was received through these channels from 2018 and 2017, respectively.

Additionally, Luxottica allows OneSight to solicit public donations at Luxottica-affiliate retail locations as well as sell obsolete Luxottica merchandise. Approximately 43% and 35% of total revenue was received through these channels in 2018 and 2017, respectively. Of the total contributions receivable outstanding at December 31, 2018 and 2017, approximately 85% and 73%, respectively, was related to these channels.