THE FOUNDATION FIGHTING BLINDNESS

2003 ANNUAL REPORT

I open my eyes and see

real progress

The urgent mission of The Foundation Fighting Blindness is to discover the causes, treatments, preventions and cures for retinitis pigmentosa, macular degeneration, Usher syndrome and the entire spectrum of retinal degenerative diseases.

Clinical trials that bring me renewed hope

Drug therapies that offer new breakthroughs

Dedicated scientists who continue to inspire me

Yes, I see real progress

Perseverance is the Secret

IF YOU ARE HOLDING THIS ANNUAL REPORT, you no doubt have a vested interest in our mission and in our success. Perhaps you, or someone you love, live everyday with a retinal degenerative disease. Perhaps you individually or as part of a corporation or foundation are interested in helping to fund our efforts. Maybe you are a volunteer who has invested hours of your time to support our fundraising and awareness initiatives.

Regardless of what brought you to the FFB family, there is one question that you hope to have answered: ARE WE MAKING REAL PROGRESS IN FINDING TREATMENTS AND CURES FOR RETINAL DEGENERATIVE DISEASES?

THE ANSWER IS A RESOUNDING YES!

When The Foundation first opened its doors more than 30 years ago, almost nothing was known about retinal degenerative diseases. By 1990 we were making our very first gene discoveries. Ten years ago, the first RP treatment breakthrough (vitamin A) was established. In 2000, a standard treatment was developed for wet macular degeneration. Two years ago, we witnessed the astounding triumph of the first successful gene therapy treatment in a large animal model (our shaggy friend known as "Lancelot"). This fall (2003), a human clinical trial and a large-scale treatment study are underway for RP.

Of course these are only a few of the examples of our tremendous progress. But put simply, The Foundation's painstaking investment in research is paying off. We can now look ahead to a future filled with an abundance of human clinical trials!

Despite unparalleled opportunity, flat revenue from softness in the economy has threatened our ability to pursue all of the research avenues that are open to us. Nevertheless, FFB has found innovative ways to keep our eye on the prize and sustain our aggressive research efforts. As evidenced throughout this year's annual report, our grants to leading research scientists and partnerships with the National

Eye Institute and industry are working! We are continuing our work to ensure that the National Eye Institute receives healthy funding increases each year.

While these are important initiatives, we need your support now more than ever. We need to make sure that each and every promising research opportunity is pursued. With the chance to save the sight of millions within our grasp, this is not a time for holding back.

In the future months we promise to keep you informed about all of the exciting research efforts taking place. In turn, we hope that you will sense the excitement we feel and continue to support our mission even more generously.

Victor Hugo once said that "perseverance is the secret of all triumphs." With your support, we *will* persevere and triumph over retinal degenerative diseases.

The Foundation Fighting Blindness—a place where hope began three decades ago, and WHERE A CURE IS THE FUTURE!

Gordon Gund
Chairman

Haynes P. Lea
Vice Chairman

Edward H. Gollob
President

Peter K. Whinfrey
Senior Vice President

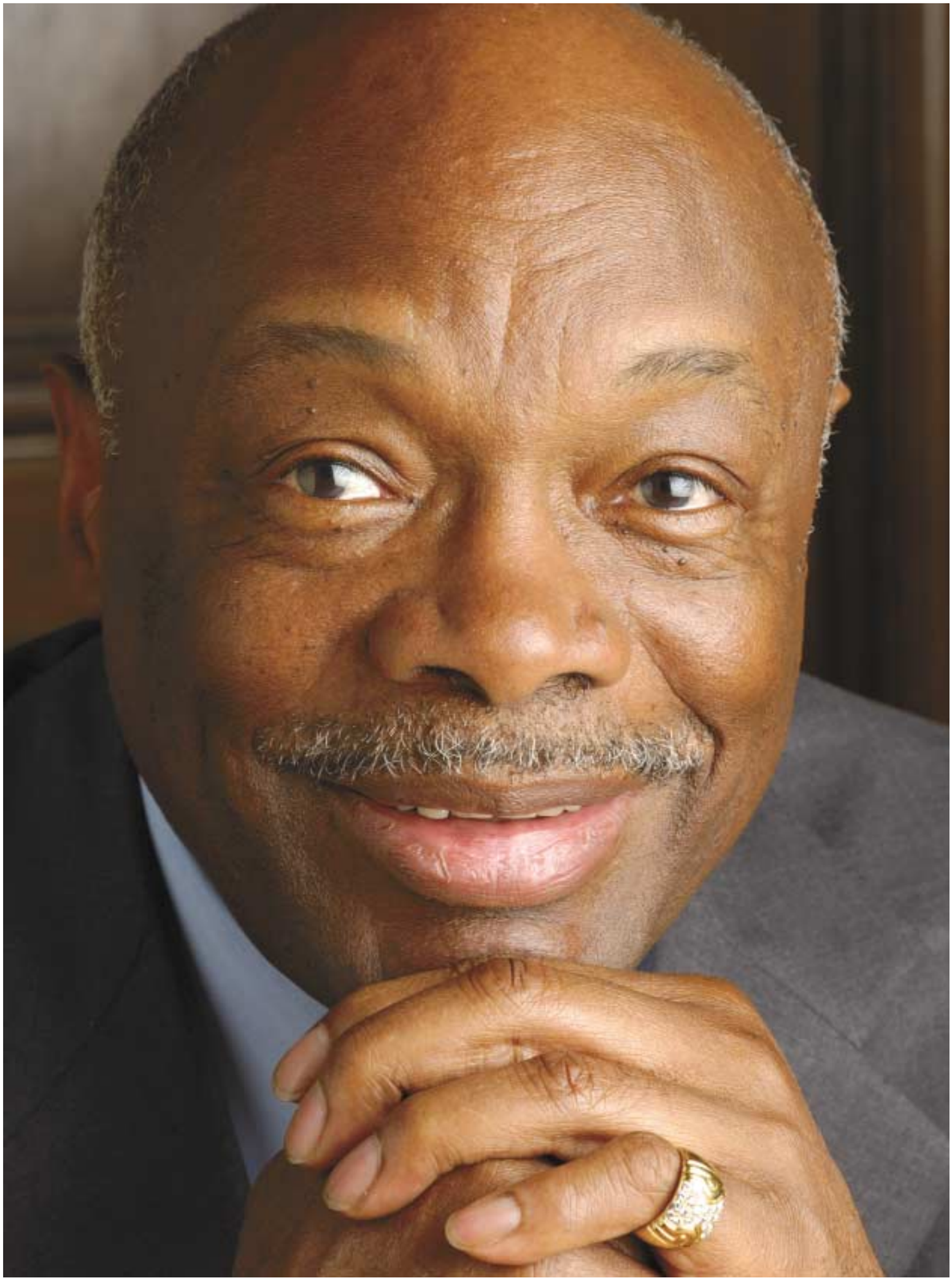
William J. Chatlos
Treasurer

Yvonne E. Chester
Secretary

TWO IMPORTANT FOOTNOTES:

☼ This year, after 18 years of highly meritorious service, BOB GRAY stepped down as FFB's Chief Executive Officer. Under his leadership, revenue has grown over the years from $1.8 million in 1985, to $16.6 million in 2003. For this outstanding performance, Bob shall always have our tremendous gratitude and appreciation and we wish him the very best. A search for a new CEO is underway.

☼ For more than 30 years HARRIET FINKELSTEIN has been a loyal supporter of our cause – working with us to raise funds, launching numerous public awareness campaigns, serving on our Board and eventually serving as Vice Chairman. While we know that Harriet will continue to remain involved with FFB for many years to come, she has stepped down as Vice Chairman. Thank you Harriet for your years of dedication, support and friendship!



A Strong Sense of Vision

San Francisco Mayor Willie Brown is no stranger to challenging circumstances. Born into a very poor family in a small, racially segregated Texas town, Mayor Brown earned his first dollar as a shoe-shine boy. Throughout high school he worked as a janitor, a crop harvester and a messenger. Upon graduation, he moved to San Francisco, bringing with him little more than a cardboard suitcase and his dreams. He diligently worked his way through college and graduated from San Francisco State University and from the Hastings College of Law. Brown was admitted to the California State Bar and worked hard to build a booming law practice during the turbulent times of the early sixties.

Although Brown lost his first run for the California State Assembly, he didn't let defeat stop him, and two years later, in 1964, claimed victory. He was re-elected 16 times. From 1980 to 1995, Brown served as Speaker of the Assembly, arguably a position of power second only to that of the governor. The state's only African-American Speaker, he held the position for an unprecedented 15 years.

While those were remarkable years professionally for Brown, it was also during that time that he was diagnosed with retinitis pigmentosa (RP), a disease that presently has no cure and that would slowly steal his eyesight. RP is a hereditary disease that causes a continual loss of peripheral vision and often leads to total blindness. Brown's two sisters were also diagnosed with RP.

"Having RP is a challenge," said the Mayor. "As Speaker of the Assembly it was very important that I recognize people in the halls of the Legislature. But I couldn't see people unless they were right in front of me. I needed to have the security people give me notes to tell me who was in the room. Reading is also very difficult so I use larger print notes and memos. Living with RP means having to use more of your brain function—I listen more intently, I memorize vast amounts of information, and I have trained my computer to recognize numerous verbal commands."

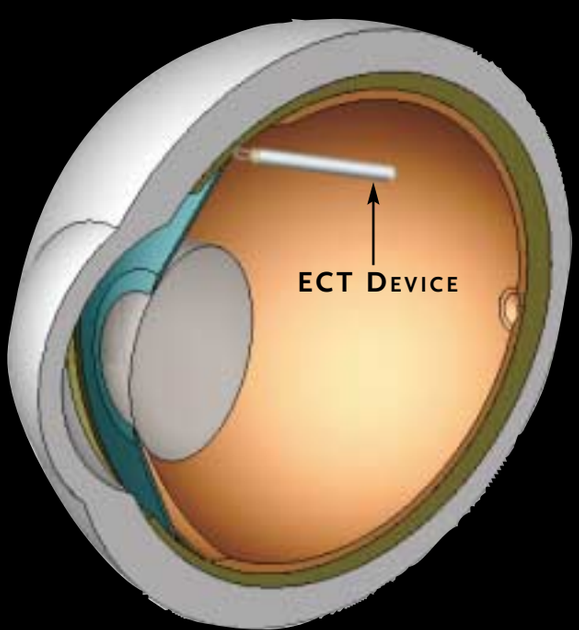
But Mayor Brown, a man of indomitable spirit, didn't let his disease get in his way. In 1995, he successfully ran for mayor of San Francisco and was re-elected four years later. Although Brown's eyesight may be less than perfect, it has never dampened his tremendous sense of vision, which is why he was just recently chosen to serve on the transition team of California's new Governor, Arnold Schwarzenegger.

"It's difficult having RP," said Brown. "But I've been very fortunate, I still have some useful vision. So many people with this tragic disease are completely blind at a young age. But I am hopeful that The Foundation will one day find a cure. They are doing a magnificent job, and I applaud their efforts."

Overcoming a Formidable Obstacle

DURING THE 1990'S, THE FOUNDATION pioneered the discovery of several promising drug therapies for retinitis pigmentosa and related diseases. One particular drug, ciliary neurotrophic factor (CNTF), preserved photoreceptor cells in a wide variety of animal models of RP.

The excitement surrounding these initial discoveries was soon dampened by the sobering realization that CNTF and other similar drug therapies could not pass through the blood/retina barrier, making traditional drug delivery methods such as pills or injections ineffective. However, soon after the discovery of CNTF, The Foundation learned of a unique drug delivery device that might also be adaptable for use in delivering drug therapies to the retina.



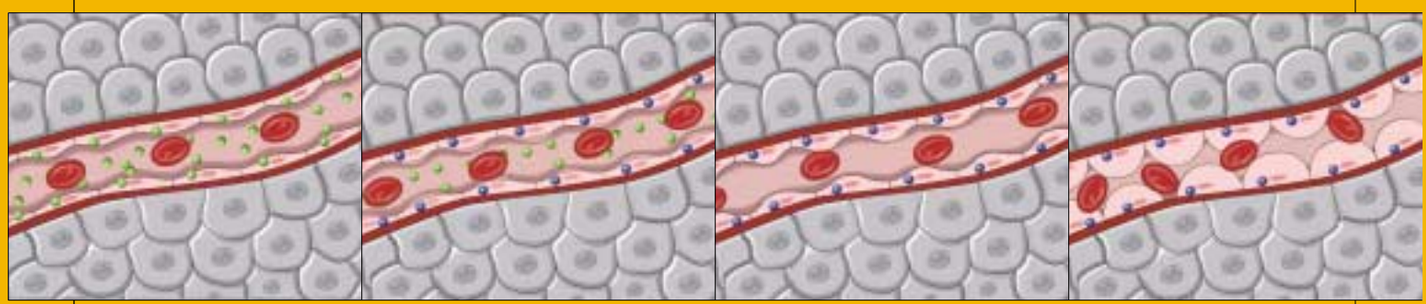
Through its innovative Medical Therapy Program, which reaches out to industry to encourage retinal research, The Foundation began collaborations with Neurotech, a small biotechnology company that holds the patent for a drug delivery device called Encapsulated Cell Technology (ECT), to test the device in animal models of RP.

These studies were crucial in recently gaining approval from the U.S. Food and Drug Administration (FDA) to begin human safety studies with the ECT device in delivering CNTF.

The ECT story is also a testament to The Foundation's perseverance in advancing treatments to clinical trials. ECT and other emerging drug delivery devices hold the potential to deliver other drug therapies in the treatment of macular degeneration, RP, Usher syndrome and related diseases. There's still more work ahead, but The Foundation's efforts are clearly bearing fruit.

A Promising New Drug

In 2003, The Foundation and OXiGENE announced that the U.S. Food and Drug Administration granted approval to begin a Phase I/II clinical trial for Combretastatin, a promising new drug for the wet form of age-related macular degeneration (AMD). This marks the first time that FFB has funded a clinical trial for AMD.



COMBRETASTATIN STOPS THE ABNORMAL BLOOD VESSEL GROWTH THAT IS RESPONSIBLE FOR WET AMD.

Combretastatin also marks another successful chapter in The Foundation's Medical Therapy Program, which fosters industry participation in developing treatments and cures for retinal degenerative diseases. OXiGENE, a vascular targeting company based in Massachusetts, is developing Combretastatin as a cancer therapy. Because Combretastatin blocks blood vessel growth, The Foundation became interested in this compound as a possible treatment for wet AMD.

Through its Medical Therapy Assessment Center (MTAC) at Johns Hopkins, The Foundation provided funding to test Combretastatin in rodent models of macular degeneration. Dr. Peter Campochiaro, who led the MTAC study, found that Combretastatin blocks development and promotes regression of new blood vessel growth. Combretastatin is only the second therapy to show an ability to regress blood vessel growth, making it a very desirable candidate for clinical trials.

The Foundation next entered a unique agreement with OXiGENE to fund a small Phase I clinical trial of Combretastatin at the Johns Hopkins Wilmer Eye Institute. It is hoped that positive results from this study will secure greater funding for larger, more costly Phase II/III clinical trials.

Through innovative collaborations with industry leaders like OXiGENE, The Foundation Fighting Blindness is working to rapidly advance promising new therapies to clinical trials. However, these efforts are dependent on The Foundation providing considerable financial support to create momentum.

Making a Lasting Impression

IT WAS A CRYSTAL CLEAR DAY and Charlotte Isen was enjoying one of her favorite pastimes—golf. As she chipped up to the 14th green, she was alarmed by what she saw. Her ball was suddenly transformed into two rolling eggs and two flags appeared on the green instead of one.

"Although I immediately knew what was happening to me, I began to panic," said Charlotte. "After all, I had sadly watched my mother struggle with the devastating effects of the disease for years. My worst fears were later confirmed at the doctor's office—I had age-related macular degeneration (AMD) and my vision would continue to deteriorate."

After her diagnosis, Charlotte began a frantic search for a "magic bullet" that would cure her disease. Over several years she traveled to Miami, Philadelphia, LA, Baltimore, Boston, New York and even Sao Paulo, Brazil. Time after time the answer was the same—there was little that could be done to cure the disease but there were some limited treatments that could slow its progression for a time.

While Charlotte did receive several laser treatments, she finally faced the hard truth that there was still so much that had to be done to find a cure for AMD. "That's when my husband Ted and I found The Foundation Fighting Blindness," said Charlotte. "After attending a meeting of FFB researchers, we were so impressed by both the staff and the scientists and their research commitment and progress in finding a cure. It was an illuminating and moving experience. I knew then and there that I wanted to do everything I could to support FFB and its research initiatives."

Although Charlotte can no longer drive, play golf or read without special aids, from that day forward she has worked diligently to raise money and awareness for FFB. She organized friends and family and with their tireless support, put together a number of fundraising events in South Florida, including golf tournaments, a card party and a symposium on macular degeneration, which brought together more than 500 people affected by AMD. Charlotte also speaks on behalf of FFB to numerous civic groups and has organized the first FFB Palm Beach County Chapter.

Philanthropy is not something new to Charlotte Isen. She has spent a lifetime working on behalf of numerous worthy causes helping those who are less fortunate. But now the cause has become deeply personal.

While Charlotte is hopeful about all the research going on, the reason she is so committed to a cure is not just for herself. "I am very concerned about my children," said Charlotte. "Since AMD can be hereditary, I want to make sure that my children won't have to deal with this devastating disease in their lifetime. And I feel confident that if we continue to support FFB, our children and grandchildren will be able to enjoy full, independent lives without the fear of going blind."

Gene Therapy Enters Human Clinical Trials

GENVEC, INC., A BIOPHARMACEUTICAL COMPANY based in Gaithersburg, Maryland, has launched a Phase I clinical trial to test the safety of gene therapy in the wet form of age-related macular degeneration (AMD). This is the first time a gene therapy treatment for retinal degenerative disease has reached human clinical trials.

The GenVec treatment uses the gene that creates a protein called pigment epithelium-derived factor (PEDF). In previous experiments, PEDF inhibited blood vessel growth by as much as 90% in rodent models. Further work in patients with AMD found that levels of PEDF are abnormally decreased.

PEDF has great potential in treating the entire spectrum of retinal degenerative diseases. Besides being a potent inhibitor of blood vessel growth, PEDF also slows photoreceptor cell degeneration. GenVec's clinical trial should also help pave the way for other gene therapy clinical trials. The Foundation is working to advance gene therapy for RP, Usher syndrome, and Stargardt disease.

Pre-clinical safety studies also continue with gene therapy for Leber congenital amaurosis (LCA), a rare and severe form of RP. In 2001, Foundation-supported researchers reported restoring vision in dogs born blind with LCA. More than three years later, Lancelot, the first dog treated with gene therapy, continues to see well without any apparent complications.

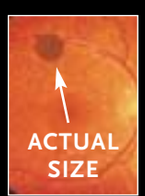
More recently, Foundation-supported researchers tested the treatment in animals from different litters, delaying treatment for up to 11 months. All of the treated dogs experienced visual improvement. Although further work is needed, the results from these experiments suggest that patients with this same severe form of retinitis pigmentosa may benefit, even if treatment is given long after diagnosis. Obviously, these findings bode well for Food and Drug Administration approval to begin clinical trials.

Advancing gene therapy for rare diseases is a scientific and financial challenge. The scientific advances to prove the effectiveness of gene therapy are now largely behind us. However, with each new advance, the funding needs become even greater.

Reaching Clinical Trials

AMONG THE MOST EXCITING DEVELOPMENTS this year were preliminary reports by Optobionics and University of Southern California researchers on early results from Phase I clinical trials that are testing the safety of artificial retinal implants in patients with end-stage RP. These high-tech devices might one day restore lost vision by mimicking the function of photoreceptor cells in the retina. In both clinical trials, the patients did not experience serious side effects. Both groups also reported that patients experienced small, modest improvements in vision.

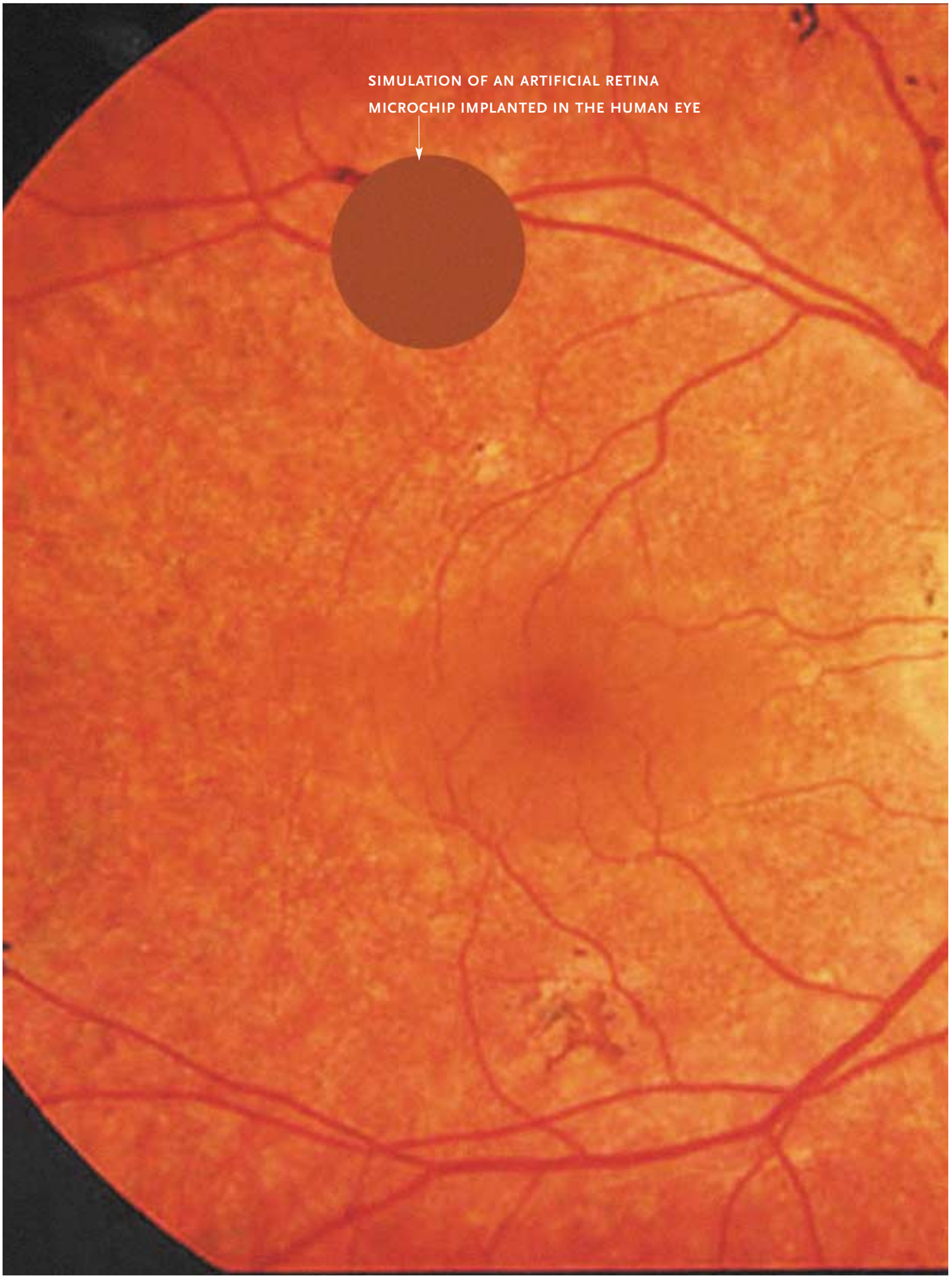
In the Optobionics study, ten patients were implanted with the company's Artificial Silicon Retina (ASR). At several scientific conferences, Dr. Alan Chow, an ophthalmologist and founder of Optobionics, reported that patients could perceive increased light, detect motion and shapes and, in some cases, read large letters.



Curiously, patients experienced improvements in vision even in areas well away from the implant. Dr. Chow speculates that the surgical procedure to implant the ASR device may have induced a release of neurotrophic agents that revitalized diseased photoreceptor cells.(It is well known that in animal models of RP, the insertion of a needle into the eye will evoke a release of neurotrophic factors that provide a short-term rescue of diseased photoreceptor cells.) Dr. Chow also reported that some patients had more recently experienced declines in their vision. Further evaluation is needed to account for these observations.

In the University of Southern California (USC) study, led by Dr. Mark Humayun, three patients received retinal implants. All three patients reported increases in light perception and were able to read large letters and identify simple shapes. It is encouraging that in both studies there were no complications, patients tolerated the device without discomfort, and all patients report increased visual function.

The field of artificial retinal implants has blossomed. Research groups from all over the world have entered the field with new and innovative approaches to developing implants that can function in place of diseased photoreceptor cells. Although clinical trial studies are still very preliminary and many hurdles remain to create a device that can restore useful vision, the field has advanced dramatically in a very short time.



The Business of Science

THANKS TO YEARS OF INVESTMENT in painstaking basic research, The Foundation Fighting Blindness has pioneered the discovery of promising drug, gene and nutritional therapies, artificial retinal implants, and stem cell and transplantation therapies. We are now able to advance many of these therapies to clinical trials.

However, the costs of clinical trials are staggering. Recognizing that The Foundation lacks the financial resources to fund every clinical trial, the Board of Trustees authorized the formation of a new program to attract research and development interest from the pharmaceutical and biotechnology industry. The purpose of the Medical Therapy Program is to engage pharmaceutical and biotech firms to help advance treatments for macular degeneration, retinitis pigmentosa, Usher syndrome and the entire spectrum of retinal degenerative diseases.

Attracting commercial investment for rare diseases is a formidable challenge. The research and development costs are spread over fewer patients, making the return on investment for a company less attractive. Because it's difficult to find patients with rare diseases, patient recruitment costs are higher. In many trials, patients will also need to be genotyped to confirm their genetic diagnosis.

These hurdles become even more daunting for small, cash-strapped biotechnology companies that hold patents for novel therapies that are valuable for retinal disease. In some cases, The Foundation will need to help these struggling companies conduct necessary research to attract investment from venture capital and large pharmaceutical companies.

Nonetheless, experts from the pharmaceutical industry assure us that because these diseases are chronic in nature, they may require repeated treatment, making retinal degenerative diseases a financially sound investment. Moreover, thanks in large measure to The Foundation's research efforts, the increased understanding of retinal disease, the availability of animal models, and the ability to at last treat genetic diseases, commercial R&D interest has increased.

To overcome reticence in the commercial sector, The Foundation's Medical Therapy

Program has established three critical resources that will make commercial investment more attractive.

MEDICAL THERAPY ASSESSMENT CENTERS

The Foundation's Medical Therapy Assessment Centers (MTACs) support the efforts of academic clinicians and scientists with expertise in evaluating the safety and efficacy of experimental therapies. Already MTACs have provided several small companies with an invaluable, lower-cost resource to test novel therapies in the treatment of retinal disease. As more therapies are discovered, the role of MTACs becomes more critical in moving to clinical trials.

THE FFB NATIONAL REGISTRY

The Foundation has worked diligently to create and maintain a patient registry to facilitate patient recruitment for clinical trials. This program was initiated to ensure that individuals with retinal degenerations could register and be rapidly notified about clinical studies and treatment trials for their specific disease. The registry is a computerized database that collects confidential personal, family, and medical information on individuals affected by RP, Usher syndrome, macular degeneration and related retinal disorders. The Registry now provides an important resource for companies that want to recruit patients for clinical trials.

GENOTYPING PROGRAM

Many gene and pharmaceutical therapies treat specific genetic forms of disease and therefore require that we confirm each patient's genetic diagnosis, or genotype for inclusion in clinical trials and ultimately for treatment. Because so many different mutant genes can cause disease, the task of genotyping is complex and costly.

We have the scientific ability to genotype patients. However, The Foundation needs funding support to initiate a large-scale genotyping program.

The ability to enlist the help of pharmaceutical companies in the fight against retinal degenerative diseases depends on The Foundation providing these and other critical resources.

Gerald J. Chader, Ph.D, M.D.,hc
Chief Scientific Officer

(Before coming to FFB, Dr. Chader served as the Scientific Director of the National Eye Institute, part of the National Institutes of Health.)

Pioneering Many New Discoveries and Therapies with the Necessary Funding

Research Center Grants

Berman-Gund Laboratory for the Study of Retinal Degenerative Diseases
$345,652
Harvard Medical School
Massachusetts Eye and Ear Infirmary
Boston, MA
Eliot L. Berson, M.D.
Center Coordinator

The Cleveland Clinic Foundation Research Center for the Study of Retinal Degenerative Diseases
$323,952
Cleveland, OH
Joe G. Hollyfield, Ph.D.
Center Coordinator

Emory University Research Center for the Study of Retinal Degenerative Diseases
$254,827
Emory University School of Medicine
Atlanta, GA
Judith Kapp, Ph.D.
Center Coordinator

Greater New York Regional Research Center for the Study of Retinal Degenerative Diseases
$464,208
New York University Medical Center
Columbia University
University of Medicine and Dentistry (NJ)
Ronald E. Carr, M.D.,
Lucian del Priore, M.D., Ph.D.,
and Marco Zarbin, M.D., Ph.D.
Center Co-Coordinators

Jules Stein Eye Institute Research Center for the Study of Retinal Degenerative Diseases
$474,641
University of California at Los Angeles
Los Angeles, CA
Dean Bok, Ph.D.
Center Coordinator

The Kearn Family Research Center for the Study of Retinal Degenerative Diseases
$332,937
University of California at San Francisco
University of California at Berkeley
Matthew M. LaVail, Ph.D.
Center Coordinator

Michael M. Wynn Center for Inherited Retinal Degenerative Disease at the University of Utah
$419,742
University of Utah Health Sciences Center
Moran Eye Center
Salt Lake City, UT
Wolfgang Baehr, Ph.D.
Center Coordinator

Oregon Health & Science University Research Center for the Study of Retinal Degenerative Diseases
$280,737
Department of Ophthalmology
Portland, OR
Richard G. Weleber, M.D.
Center Coordinator

Pre-Clinical Medical Therapy Evaluation Center
$491,925
Cornell University
North Carolina State University
Duke University
Gus Aguirre, V.M.D., Ph.D.
Center Coordinator

Research Center at the Institute of Ophthalmology
$308,400
London and Moorfields Eye Hospital
London, England
Frederick W. Fitzke, Ph.D.
Center Coordinator

Research Center for Macular Degeneration and Allied Retinal Diseases
$393,205
University of Iowa
Iowa City, IA
Edwin M. Stone, M.D., Ph.D.
Center Coordinator

Scandinavian Research Center for the Study of Retinal Degenerative Diseases
$280,999
University of Lund
Department of Ophthalmology
Lund, Sweden
Berndt Ehinger, M.D.
Center Coordinator

Scheie Eye Institute for the Study of Retinal Degenerative Disease Research
$326,973
University of Pennsylvania
Philadelphia, PA
Samuel G. Jacobson, M.D., Ph.D.
Center Coordinator

Southwest Regional Research Center for the Study of Retinal Degenerative Diseases
$323,620
Retina Foundation of Southwest (Dallas)
University of Oklahoma
University of Texas (Houston)
Robert E. Anderson, M.D. and David Birch, Ph.D.
Center Co-Coordinators

University of Illinois Eye & Ear Infirmary Research Center for the Study of Retinal Degenerative Diseases
$145,643
University of Illinois
Chicago, IL
Gerald A. Fishman, M.D.
Center Coordinator

Wilmer Eye Institute Research Center for the Study of Retinal Degenerative Diseases
$618,635
Johns Hopkins Hospital
Baltimore, MD
Peter A. Campochiaro, M.D.
Center Coordinator

W.K. Kellogg Eye Center Research Center for the Study of Retinal Degenerative Diseases
$433,689
University of Michigan
Ann Arbor, MI
Anand Swaroop, Ph.D.
Center Coordinator

Research Facilities

FFB Resource Facility for Retinal Degeneration Pathophysiology
$65,200
Cleveland Clinic Foundation
Cleveland, OH
Joe G. Hollyfield, Ph.D.
Facility Coordinator

FFB Resource Facility for the Molecular and Genetic Analysis of Patients with Choroideremia
$16,071
University of Alberta
Edmonton, Canada
Ian MacDonald, M.D.
Facility Coordinator

FFB Resource Facility for X-linked Retinitis Pigmentosa and Inherited Retinal and Macular Dystrophies
$85,138
University of Michigan
Ann Arbor, MI
Anand Swaroop, Ph.D.
Facility Coordinator

Medical Therapy Assessment Centers (MTACs)

Peter A. Campochiaro, M.D.
$50,000
Johns Hopkins Hospital
Baltimore, MD

Judith Mosinger-Ogilvie, Ph.D.
$60,000
Central Institute for the Deaf
St. Louis, MO

Theo van Veen, Ph.D.
$50,000
APO-Gene
Lund, Sweden

Rong Wen, M.D., Ph.D.
$50,000
Scheie Eye Institute
University of Pennsylvania
Philadelphia, PA

Targeted Programs

CELL BIOLOGY

Muayyard R. Al-Ubaidi, Ph.D.
$74,151
University of Oklahoma
Health Sciences Center
Oklahoma City, OK

Steven J. Fliesler, Ph.D.
$19,099
Saint Louis University
St. Louis, MO

Jian-xing Ma, M.D., Ph.D. and
Rosalie K. Crouch, Ph.D.
$64,011
Medical University of South Carolina
Charleston, SC

David S. Williams, Ph.D.
$62,810
University of California, San Diego
School of Medicine
La Jolla, CA

CLINICAL STUDIES

Johanna Seddon, M.D.
$33,333
Harvard Medical School
Massachusetts Eye and Ear Infirmary
Boston, MA

DRUG DELIVERY

Dayle H. Geroski, Ph.D. and
Henry F. Edelhauser, Ph.D.
$45,701
Emory University Eye Center
Atlanta, GA

GENE THERAPY

John Flannery, Ph.D.
$704,827
University of California
Berkeley, CA

William Hauswirth, Ph.D. and
Alfred Lewin, Ph.D.
$100,000
University of Florida College of Medicine
Gainesville, FL

Alfred Lewin, Ph.D.
$6,918
University of Florida College of Medicine
Gainesville, FL

Muna I. Naash, Ph.D.
$50,469
University of Oklahoma
Health Sciences Center
Oklahoma City, OK

Kristina Narfstrom, D.V.M., Ph.D.
$72,980
University of Missouri
Columbia, MO

GENETIC STUDIES

ARTHUR A. B. BERGEN, Ph.D. AND
PAULUS DE JONG, M.D., Ph.D.
$72,000
Netherlands Ophthalmic Research Institute
Amsterdam, The Netherlands

SHOMI S. BHATTACHARYA, Ph.D.
$66,680
Institute of Ophthalmology
London, England

F.P.M. CREMERS, Ph.D.
$42,178
University Medical Center
Nijmegen, The Netherlands

MICHAEL DANCIGER, Ph.D.
$41,300
Loyola Marymount University
Los Angeles, CA

DEBORA FARBER, Ph.D.
$56,784
Jules Stein Eye Institute
University of California Los Angeles
School of Medicine
Los Angeles, CA

GEORGE INANA, M.D., Ph.D.
$48,421
Bascom Palmer Eye Institute
University of Miami
Miami, FL

JOSSELINE KAPLAN, M.D., Ph.D.
$75,000
Hospital des Enfants-Malades
Paris, France

BRONYA KEATS, Ph.D.
$50,000
Louisiana State University Medical Center
New Orleans, LA

WILLIAM J. KIMBERLING, Ph.D.
$50,000
Boys Town National Research Hospital
Omaha, NE

ERIC A. PIERCE, M.D., Ph.D.
$52,572
Scheie Eye Institute
University of Pennsylvania
Philadelphia, PA

EDWIN M. STONE, M.D., Ph.D.
$62,500
University of Iowa Hospitals
Iowa City, IA

PHARMACEUTICAL THERAPY

JOSE A. SAHEL, M.D.
$58,385
Universite Louis Pasteur
Strasbourg, France

PRE-CLINICAL STUDIES

TIANSEN LI, Ph.D.
$52,311
Harvard Medical School
Massachusetts Eye and Ear Infirmary
Boston, MA

MIGUEL C. SEABRA, M.D., Ph.D.
$51,667
Imperial College of Science
Technology and Medicine
London, England

SURGERY AND VISUAL PROSTHETICS

Joseph F. Rizzo, M.D.
$79,645
Harvard Medical School
Massachusetts Eye and Ear Infirmary
Boston, MA

TRANSPLANTATION STUDIES

Eugene de Juan, Jr., M.D.
$89,308
Retina Institute
Doheny Eye Institute
Los Angeles, CA

CAREER DEVELOPMENT AWARDS

Tomas Aleman, M.D.
$42,576
Scheie Eye Institute
University of Pennsylvania
Philadelphia, PA

Jayakrishna Ambati, M.D.
$47,761
University of Kentucky
Lexington, KY

Albert O. Edwards, M.D., Ph.D.
$45,000
University of Texas
Dallas, TX

Shalesh Kaushal, M.D., Ph.D.
$53,045
University of Florida
Gainesville, FL

Kean T. Oh, Ph.D.
$45,630
University of North Carolina at Chapel Hill
Chapel Hill, NC

David A. Saperstein, M.D.
$75,000
University of Washington
Seattle, WA

Melanie Sohocki, Ph.D.
$50,000
Columbia University
New York, NY

Stephen H. Tsang, M.D., Ph.D. and
Debora B. Farber, Ph.D.
$50,000
Jules Stein Eye Institute
University of California Los Angeles
School of Medicine
Los Angeles, CA

MEETINGS / WORKSHOPS

Neuroprotective Strategies
for RD Diseases Workshop
$15,000
APO-Gene
Lund, Sweden

RP1 Consortium
Eric Pierce, M.D., Ph.D.
$4,000
Scheie Eye Institute
University of Pennsylvania
Philadelphia, PA

BOARD OF TRUSTEE AWARDS

Edwin M. Stone, M.D., Ph.D.
$25,000

FINANCIAL INFORMATION

REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF TRUSTEES OF THE FOUNDATION FIGHTING BLINDNESS, INC.:

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of activities and changes in net assets, cash flows, and expenses by function present fairly, in all material respects, the financial position of The Foundation Fighting Blindness and its affiliated chapters ("The Foundation") at June 30, 2003, and the consolidated changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of The Foundation's management; our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from The Foundation's June 30, 2002 financial statements, and in our report dated September 27, 2002, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

September 26, 2003

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2003 (with summarized financial information as of June 30, 2002)

	2003				2002
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
ASSETS					
Cash and cash equivalents	$ 1,440,654	$ –	$ –	$ 1,440,654	$ 1,432,956
Investments	334,531	65,219	500,000	899,750	3,645,918
Stock	13,232	–	–	13,232	–
Pledges receivable, net of present value allowance of $8,587 in 2003 ($17,596 in 2002)	1,161,374	2,022,161	–	3,183,535	2,118,380
Prepaid expenses and other assets	219,796	–	–	219,796	248,392
Charitable gift annuity fund	388,805	–	–	388,805	54,431
Pooled income fund	–	80,689	–	80,689	78,666
Charitable remainder trust	–	965,594	–	965,594	975,232
Fixed assets, net	817,758	–	–	817,758	851,589
Total assets	$ 4,376,150	$ 3,133,663	$ 500,000	$ 8,009,813	$ 9,405,564
LIABILITIES AND NET ASSETS					
Accounts payable and accrued expenses	$ 907,531	$ –	$ –	$ 907,531	$ 654,140
Research awards and grants payable	1,659,569	–	–	1,659,569	4,210,028
Deferred revenue	193,499	–	–	193,499	299,378
Charitable gift annuity obligation	389,717	–	–	389,717	54,431
Pooled income fund obligation	–	38,275	–	38,275	40,244
Charitable remainder trust obligation	–	376,275	–	376,275	413,522
Total liabilities	3,150,316	414,550	–	3,564,866	5,671,743
NET ASSETS					
Unrestricted net assets:					
Designated for research	408,076	–	–	408,076	510,970
Represented by fixed assets	817,758	–	–	817,758	851,589
Total unrestricted net assets	1,225,834	–	–	1,225,834	1,362,559
Temporarily restricted net assets	–	2,719,113	–	2,719,113	1,871,262
Permanently restricted net assets	–	–	500,000	500,000	500,000
Total net assets	1,225,834	2,719,113	500,000	4,444,947	3,733,821
Total liabilities and net assets	$ 4,376,150	$ 3,133,663	$ 500,000	$ 8,009,813	$ 9,405,564

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF ACTIVITIES

for the year ended June 30, 2003 (with summarized financial information for the year ended June 30, 2002)

	2003				2002
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES					
Public support:					
Contributions from individuals, corporations and foundations	$ 5,881,301	$5,771,697	$ –	$11,652,998	$11,726,714
Special events	6,159,619	–	–	6,159,619	4,688,045
Less special event direct benefit costs	(1,576,033)	–	–	(1,576,033)	(1,117,293)
Legacies and bequests	276,704	–	–	276,704	1,497,629
Allocated by federated fund-raising organizations	147,005	–	–	147,005	162,016
Contributed services	124,916	–	–	124,916	60,147
Total public support	11,013,512	5,771,697	–	16,785,209	17,017,258
OTHER					
Program service fees	563,611	–	–	563,611	2,523
Investment and other income	100,143	6,854	–	106,997	177,959
Net assets released from restrictions: Satisfaction of program restrictions	4,957,487	(4,957,487)	–	–	–
Total revenue and other support	16,634,753	821,064		17,455,817	17,197,740
EXPENSES					
Program services:					
Research	10,954,615	–	–	10,954,615	12,084,431
Public health education	1,495,505	–	–	1,495,505	1,558,634
Total program services	12,450,120	–	–	12,450,120	13,643,065
SUPPORTING SERVICES					
Management and general	1,385,877	–	–	1,385,877	1,343,997
Fund raising	2,943,648	–	–	2,943,648	3,082,115
Total supporting services	4,329,525	–	–	4,329,525	4,426,112
Total expenses	16,779,645	–	–	16,779,645	18,069,177
Excess of revenue over (under) expenses	(144,892)	821,064	–	676,172	(871,437)
Acquisition of Macular Degeneration International	8,167	26,787	–	34,954	–
Change in net assets	(136,725)	847,851	–	711,126	(871,437)
Net assets at beginning of year	1,362,559	1,871,262	500,000	3,733,821	4,605,258
Net assets at end of year	$1,225,834	$2,719,113	$ 500,000	$ 4,444,947	$ 3,733,821

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

for the year ended June 30, 2003
(with summarized financial information for the year ended June 30, 2002)

	PROGRAM SERVICES 2003		
	Research	Public Health Education	Total
Salaries	$ 868,925	$ 637,415	$ 1,506,340
Employee health and retirement benefits	95,369	80,692	176,061
Payroll taxes	55,692	45,511	101,203
Total salaries and related expenses	1,019,986	763,618	1,783,604
Professional fees	224,456	83,974	308,430
Supplies	12,390	18,330	30,720
Telecommunications	14,356	43,214	57,570
Postage	61,125	75,432	136,557
Occupancy	97,205	89,272	186,477
Rental and maintenance of equipment	28,088	28,502	56,590
Printing and publications	13,285	105,612	118,897
Travel, conferences and meetings	169,352	37,589	206,941
National conference	—	198,920	198,920
Membership dues	60,467	4,001	64,468
Insurance	20,982	17,472	38,454
Miscellaneous	5,333	—	5,333
Depreciation and amortization	87,839	29,569	117,408
Total expenses before grants and awards	1,814,864	1,495,505	3,310,369
Grants and awards	9,139,751	—	9,139,751
Total expenses	$ 10,954,615	$ 1,495,505	$ 12,450,120
Special event direct benefit costs			
Total expenses and special event direct benefit cost			

SUPPORTING SERVICES 2003			TOTAL EXPENSES	
Management and General	Fundraising	Total	2003	2002
$ 694,301	$ 1,320,902	$ 2,015,203	$ 3,521,543	$ 3,979,754
89,839	160,296	250,135	426,196	442,831
49,982	102,151	152,133	253,336	271,323
834,122	1,583,349	2,417,471	4,201,075	4,693,908
124,940	342,764	467,704	776,134	519,060
27,825	56,991	84,816	115,536	156,641
20,388	82,284	102,672	160,242	214,935
11,999	125,682	137,681	274,238	227,634
89,428	189,416	278,844	465,321	445,709
39,390	52,593	91,983	148,573	91,221
38,886	204,058	242,944	361,841	340,203
76,885	117,071	193,956	400,897	481,249
—	—	—	198,920	23,171
1,165	1,787	2,952	67,420	28,856
17,813	127,198	145,011	183,465	106,360
72,806	19,535	92,341	97,674	56,221
30,230	40,920	71,150	188,558	155,643
1,385,877	2,943,648	4,329,525	7,639,894	7,540,811
—	—	—	9,139,751	10,528,366
$ 1,385,877	$ 2,943,648	$ 4,329,525	16,779,645	18,069,177
			1,576,033	1,117,293
			$ 18,355,678	$ 19,186,470

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended June 30, 2003 and June 30, 2002

	2003	2002
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES:		
Change in net assets	$ 711,126	$ (871,437)
Adjustments to reconcile net assets to cash provided by operating activities:		
Depreciation and amortization	188,558	155,643
Contributions to pooled income fund	(3,991)	180
Contributions to charitable remainder trust	(27,610)	(85,802)
Changes in assets and liabilities:		
Pledges receivable	(1,065,155)	679,073
Prepaid expenses and other receivables	28,596	(53,075)
Accounts payable and accrued expenses	253,391	(418,036)
Research awards and grants payable	(2,550,459)	(2,049,653)
Deferred revenue	(105,879)	134,689
Net cash used in operating activities	(2,571,423)	(2,508,418)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities	(6,387,104)	(8,611,417)
Proceeds from sales of investment securities	9,120,040	8,623,954
Maturing of pooled income fund	—	5,325
Purchase of split interest agreements	(370,524)	(127,349)
Proceeds from sales of split interest agreements	75,366	59,414
Purchase of equipment	(154,727)	(120,429)
Net cash (used in) provided by investing activities	2,283,051	(170,502)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Liability related to charitable gift annuity	354,908	55,202
Payments to charitable gift annuity beneficiaries	(19,623)	(771)
Liability related to pooled income fund	1,823	2,163
Payments to pooled income fund beneficiaries	(3,791)	(4,418)
Liability related to charitable remainder trust	13,792	67,830
Payments to charitable remainder trust beneficiaries	(51,039)	(54,225)
Net cash used in financing activities	296,070	65,781
Net increase in cash and cash equivalents	7,698	(2,613,139)
Cash and cash equivalents, beginning of period	1,432,956	4,046,095
Cash and cash equivalents, end of period	$ 1,440,654	$ 1,432,956
Supplemental disclosures of cash flow information		
Receipt of stock gifts	$ 871,210	$ 1,758,820

The accompanying notes are an integral part of these consolidated financial statements

1. Summary of Significant Accounting Policies

NATURE OF OPERATIONS

The Foundation Fighting Blindness, Inc. and its affiliated chapters ("The Foundation") is a national eye research foundation which raises money to fund laboratory and clinical research at prominent institutions in the United States and foreign countries for the discovery of the causes, treatments, preventative methods, and cures, for all retinal degenerative eye diseases which include retinitis pigmentosa, macular degeneration and Usher syndrome. The Foundation also serves as a source of information for professionals and affected families. Its principal programs include:

Research - The Foundation funds research in retinal degenerative diseases at research facilities, both nationally and internationally.

Public Health Education - The Foundation produces newsletters that provide information to the public about the cause, treatments, cures, and preventative methods for retinal degenerative diseases. Also, The Foundation provides information relative to lifestyle issues and understanding of the retinal diseases, as well as, physician referral services for those affected.

On May 28, 2003, The Foundation entered into an agreement to acquire certain assets and certain liabilities of Macular Degeneration International, Inc ("MDI"). MDI, a not-for-profit corporation under 501(c)(3) organized under the laws of the State of Illinois, is chartered to promote and encourage any educational, research or scientific purpose or activity and specifically to provide educational materials, meetings, programs and activities designed to aid persons afflicted with Stargardt disease, other juvenile hereditary macular dystrophies, and age-related macular degeneration and to aid their families and caregivers.

BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to voluntary health and welfare organizations. The Foundation follows Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations" (the "Statement").This Statement specifies that financial statements provided by not-for-profit organizations include statements of financial position, statements of activities, statement of functional expenses and statements of cash flows. This Statement further provides that net assets be classified as unrestricted, temporarily restricted, or permanently restricted based upon the existence or absence of donor-imposed restrictions.

The consolidated financial statements include the accounts of The Foundation, its affiliated chapters and MDI. All material balances and transactions between The Foundation and its affiliated chapters have been eliminated.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2002, from which the summarized information was derived.

CLASSIFICATION OF NET ASSETS

The Foundation's consolidated financial statements report amounts separately by class of net assets:

a) Unrestricted Net Assets – Unrestricted net assets result from revenues derived from providing services, receiving unrestricted contributions less expenses incurred in providing services, raising contributions and performing administrative functions. These amounts are available at the discretion of the Board for use in The Foundation's operations including future research and those resources invested in equipment.

b) Temporarily Restricted Net Assets – Temporarily restricted net assets result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by the actions of the Foundation pursuant to those restrictions.

c) Permanently Restricted Net Assets – Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Foundation. The donor of these assets permits The Foundation to use the investment return for research.

Unrealized and realized gains and losses and interest from investing in income-producing assets may be included in any of these net asset classifications depending on donor restrictions.

RECOGNITION OF REVENUES

Contributions received and unconditional promises to give are measured at their fair market values and are reported as an increase in the appropriate net asset category. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Contributions that are restricted by the donor for a specific time or purpose are reported as temporarily or permanently restricted contributions based on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statement of activities as net assets released from restrictions. Bequests are recognized at the time an unassailable right to the gift has been established, the proceeds are measurable and the Foundation accepts the gift.

Unconditional promises to give (pledges) that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Contributions of equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contribution of cash or other assets to be used to acquire equipment without such donor stipulations are reported as revenues of the temporarily restricted net asset class. Temporary restrictions of gifts to acquire long-lived assets are considered met in the period in which the fixed assets are acquired or placed in service.

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purposes, by the occurrence of events specified by the donors or by the change of restrictions specified by the donors. In 2003, The Foundation released $4,957,487 in temporarily restricted net assets for program use and time restrictions.

CONTRIBUTED SERVICES

In accordance with Statement of Financial Accounting Standards ("SFAS") 116, *Accounting for Contributions Received and Contributions Made*, only the value of the contributed services that are considered specialized and that can be estimated are reflected in these statements. Contributed services are reported in the consolidated statement of activities at the fair value of the services received. The Foundation received $124,916 and $60,147 of contributed legal services for the years ended June 30, 2003, and 2002, respectively. In addition, services have been provided to the Foundation by unpaid volunteers; however, they did not qualify for inclusion in these statements.

CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents consist of cash held in checking and savings accounts and funds invested overnight in interest bearing accounts at federally insured financial institutions as well as money market funds held in brokerage accounts not subject to donor restrictions. Cash equivalents are stated at cost, which approximates fair value.

INVESTMENTS

Investments consist solely of U.S. Government agency obligations which are stated at fair value. Investments also consist of permanently restricted money market accounts. Bond premiums and discounts are amortized into interest income over the term of the bond.

CONCENTRATION OF CREDIT RISK

Cash is held at certain financial institutions in excess of federally insured amounts. At June 30, 2003, and 2002, $1,078,254, and $1,048,538, respectively, was held at such institutions. The Foundation has not incurred any losses on these funds. The Foundation received approximately 19% and 16% of its total public support from its Board of Trustees in fiscal years 2003 and 2002, respectively.

Approximately 76% and 48% of the temporarily restricted pledges receivable at June 30, 2003, and June 30, 2002, are due from two contributors and one contributor, respectively.

SPLIT INTEREST AGREEMENTS

During fiscal year 1998, The Foundation initiated a Pooled Income Fund (the "Fund"), which enables donors to pool in one trust, gifts of money and other acceptable property for which the creation of individual trust accounts would be impractical. In addition, The Foundation was the recipient of three Charitable Remainder Trusts (the "Trusts") contributed by two donors. The assets of both the Fund and the Trusts are held in trust by a third party trustee and represent resources not in the possession of but under the control of The Foundation. The donors to the Fund retain the right to receive a portion of the income generated by the Fund's investments during their lifetime or during the lifetime of a beneficiary designated by the donor. The donors to the Trusts retain the right to receive an established percentage of the Trusts' assets during their lifetime or during the lifetime of a beneficiary designated by the donor. Upon termination of the donor agreements, the Fund/Trusts principal passes from the Fund/Trusts to The Foundation for general use unless stipulated for specific purpose by the donor. The market values of the Fund/Trusts assets as well as the related obligations to the beneficiaries are reflected in the consolidated statement of financial position.

Under the standards set forth in the AICPA Guide for Accounting and Auditing of Not-for-Profit Organizations, contribution revenues are recognized at fair market value on the date the fund or trust is established, net of the liabilities for the present value of the estimated future payments to be made to donors and/or other beneficiaries. The liabilities are adjusted during the term of the fund/trust for changes in the value of the assets, accretion of the discount and other changes in the estimates of future benefits. The liability for the present value of deferred gifts is based upon actuarial estimates and assumptions regarding the duration of the agreements and the rates to discount the liability, which was 5.61% for the pooled income fund and 3.6% for the trusts at June 30, 2003, and 6% for both agreements at June 30, 2002. Circumstances affecting these assumptions can change the estimate of this liability in future periods.

During fiscal year 2002, The Foundation initiated a Charitable Gift Annuity program. A Gift Annuity (also known as a "Charitable Gift Annuity" or "CGA") is a contract (not a "trust"), under which a charity, in return for a transfer of cash, marketable securities or other property, agrees to pay a fixed sum of money (payments) for a period measured only by one or two lives (not a term of years). The contributed property (the gift), given irrevocably, becomes a part of The Foundation's assets, and the

payments are a general obligation of The Foundation. All of The Foundation's assets back the annuity, not just the property contributed by the donor. Unlike a trust, annuity payments continue for the life/lives of the annuitant(s), and not only as long as assets remain in the Gift Annuity Fund. The Foundation is a member of the American Council on Gift Annuities and uses the currently suggested "uniform gift annuity rates" of the Council adopted on July 1, 2003. These uniform gift annuity rates range from 4.0% for those ages 20 and below to 11.3% for those 90 and above.

FIXED ASSETS
All fixed assets are carried at cost and are depreciated on a straight-line basis over the following useful lives:

Research facility	23 years
Leasehold improvements	9 years
Furniture, fixtures and equipment	3-5 years

Contributions of equipment are recorded at the fair market value at the date of receipt. If donors stipulate the purpose for which the asset must be used and/or how long the asset must be held, the contributions are recorded as temporarily restricted, otherwise such donations are reported as unrestricted. Temporary restrictions of gifts to acquire long-lived assets are considered met in the period in which the fixed assets are acquired or placed in service.

ACCRUED COMPENSATION
The Foundation accrues for vacation pay and all other compensation earned but not paid.

GRANTS
The Foundation generally awards grants for periods of five years or less. Payment of each grant is contingent upon satisfactory progress towards or completion of the grant purpose. Grants are expensed for the current year that the grant commitment is made to the grantee.

FUNCTIONAL EXPENSES
The costs of various Foundation activities have been accounted for on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the various activities. Occupancy, depreciation and amortization, rental and maintenance of equipment and insurance expenditures are allocated based on the distribution of salary and benefit expenses. While such estimates are not conducive to precise determination, management believes the resulting allocations are reasonable.

MANAGEMENT ESTIMATES AND UNCERTAINTIES
The preparation of consolidated 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 dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

INCOME TAXES
The Internal Revenue Service has ruled that The Foundation qualifies under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is, therefore, not subject to tax on related income pursuant to Section 501(a) of the Code.

2. Pledges Receivable

The estimated fair value of pledges receivable, less a discount rate based on the date they are expected to be received, as of June 30 are as follows:

PLEDGES RECEIVABLE

	2003			2002
	Unrestricted	Temporarily Restricted	Total	Summarized Total
Unconditional pledges receivable:				
Less than one year	$ 1,161,374	$ 1,203,467	$ 2,364,841	$ 1,479,784
One to five years	—	827,281	827,281	656,192
	1,161,374	2,030,748	3,192,122	2,135,976
Discount to present value	—	(8,587)	(8,587)	(17,596)
	$ 1,161,374	$ 2,022,161	$ 3,183,535	$ 2,118,380

Conditional pledges have been made to The Foundation that have not been recorded in the accompanying consolidated financial statements. Conditional pledges as of June 30 have been made for the following purposes:

	2003	2002
Research	$ 263,750	$ 300,250
General operations in future periods	187,850	240,250
	$ 451,600	$ 540,500

Approximately 76% and 81% of the conditional pledges receivable at June 30, 2003, and 2002 are due from two contributors.

3. Fixed Assets

The fixed assets at June 30 are composed of the following:

	2003	2002
Research Facility	$ 1,084,476	$ 1,084,476
Furniture and Equipment	936,312	781,585
Leasehold Improvements	33,242	33,242
Total fixed assets	$ 2,054,030	$ 1,899,303
Less accumulated depreciation	(1,236,272)	(1,047,714)
Fixed Assets, Net	$ 817,758	$ 851,589

4. Permanently and Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30 are available for the following purposes:

	2003	2002
Research	$ 1,940,959	$ 1,173,226
Public health education	50,000	—
General operations in future periods	728,154	698,036
	$ 2,719,113	$ 1,871,262

Net assets are released from donor restrictions when expenses are incurred to satisfy the restricted purposes or by occurrence of other events as specified by donors. Purpose restrictions accomplished during the years ended June 30, were as follows:

	2003	2002
Research	$ 4,100,395	$ 5,295,695
Public health education	540,000	—
Equipment purchases	—	183,075
General operations	317,092	311,326
	$ 4,957,487	$ 5,790,096

The permanently restricted net asset balances are $500,000 and $500,000 as of June 30, 2003, and 2002, respectively. The investment income generated from the assets is restricted for research.

5. Research Programs

Research in retinitis pigmentosa, macular degeneration, Usher syndrome and related retinal degenerative diseases sponsored by The Foundation is conducted at various research facilities and generally covers periods of one to five years. Grants covering more than one year are subject to renewal based on recommendations of the Scientific Advisory Board ("SAB") of The Foundation and the ultimate approval of the Board of Trustees.

At June 30, 2003, and 2002, various programs and activities were underway and are reflected in the accompanying consolidated statements of financial position as follows:

RESEARCH GRANTS PAYABLE

Research grants and awards payable represent amounts to be paid under existing grant awards total $1,659,569 and $4,210,028 as of June 30, 2003, and 2002, respectively.

FIXED ASSETS

Included in fixed assets is $448,059, which represents The Foundation's net investment in a research facility. The Foundation entered into agreements with a university involving monthly rental payments of approximately $2,700 relating to the use of The Foundation's research facility. The initial terms of the agreements, which are subject to the continuation of an existing operating grant or the obtaining of substitute grant monies, expire in September 2006, and there is a renewal option for one additional five-year period. Upon termination of the agreements the facility and all improvements become the property of the university.

At June 30, 2003, and 2002, grants, which will be funded in future periods, contingent upon the recommendation of the SAB and the Board of Trustees' approval, aggregated approximately $12,939,877 and $17,235,194.

6. Thrift Savings Plan

The Foundation maintains a thrift savings plan under the provision of Section 403(b) of the Code. The plan is available to all employees. For employees with one year of service or for employees who have been previously employed by a tax-exempt entity under Section 501(c)(3) of the Code, which had a benefit plan with Mutual of America, The Foundation will contribute 3% of the employee's base salary to the Plan. Additionally, for those employees meeting the above criteria, The Foundation will make matching contributions to an employee's contributions not to exceed 4% of the participant's compensation. Participants vest in the contributions made by The Foundation over a four-year period. The Foundation's contributions to the plan were $137,852 and $159,899 in 2003, and 2002, respectively.

7. Commitments

On June 1, 2001, The Foundation entered into a lease agreement for office space that expires on July 31, 2010. The lease requires monthly payments subject to annual escalation of approximately 3 percent over the period of the lease. These escalating future payments are presented in the schedule below to reflect straight-line recognition.

Future minimum lease payments related to The Foundation's noncancelable operating leases are as follows:

2004	425,121
2005	364,900
2006	368,115
2007	368,270
2008 and thereafter	1,116,022
Total future minimum lease payments	$ 2,642,428

Occupancy rent expense totaled $465,321 and $445,709 for the years ended June 30, 2003, and 2002, respectively.

During 2003, The Foundation had a line of credit in the amount of $2,000,000, with an interest rate equal to the lending institution's prime rate. The line of credit can be used for general Foundation purposes. At June 30, 2003, the line of credit had no outstanding balance and there were no drawdowns on the line of credit during 2003 and 2002.

8. Related Party Transactions

Given The Foundation's singular focus on inherited retinal degenerative diseases, and the limited pool of relevant experts to serve as advisors and investigators, some overlap in The Foundation's operations and the research supporting the mission occurs. The Foundation's policy to mitigate this overlap requires that all grant applications be subject to independent evaluation by appropriate peer reviewers prior to grant commitment. The review and final approval process excludes anyone directly associated with the application and anyone, including SAB members, who in any other way has a recognizable conflict of interest. During fiscal year 2003 and 2002, The Foundation committed funds in the amounts of approximately $5,038,762 and $4,077,572, respectively, to research projects whose principal research investigators are also members of the SAB. Approximately $7,664,184 of the $12,939,877 contingent future grants in fiscal year 2003 and $8,268,000 of the $17,235,194 contingent future grants in fiscal year 2002 represent grants to fund research projects whose principal research investigators are also members of the SAB.

How You Can Help

THERE ARE MANY WAYS THAT YOU CAN HELP The Foundation Fighting Blindness speed the pace of research. Your support will make a difference. Because The Foundation Fighting Blindness is a non-profit 501(c)(3) organization, most gifts qualify for a charitable tax deduction.

OUTRIGHT GIFTS

Outright gifts in the form of cash, securities, real estate and personal property provide much-needed financial support and have an immediate impact.

CASH

Checks made out to THE FOUNDATION FIGHTING BLINDNESS can be sent to: P.O. BOX 17279, BALTIMORE, MD 21203-7279. Or visit our website, www.blindness.org to make a quick and secure online donation.

GIFTS OF REAL ESTATE AND FINANCIAL SECURITIES

When you give a gift of real property, stocks or bonds, you may claim an income tax charitable deduction based on the full market value of the gift, avoid capital gains taxes on appreciated value, and eliminate certain costs associated with the transfer of real property.

PERSONAL PROPERTY

The Foundation accepts a wide variety of personal possessions, such as works of art, valuable collectibles, or antiques.

PLANNED GIVING

Planned Giving is an important way for you to financially plan today to make a substantial gift to FFB, either now or in the future. Typical planned gifts include bequests, trusts and gift annuities. To receive information about any of our planned giving programs, call 800-683-5555.

CHARITABLE GIFT ANNUITY

The charitable gift annuity is one of the most secure forms of generating income for you, while making a gift to FFB. A charitable gift annuity is an agreement by an individual 55 and over to give a sum of money or property to a charitable organization, and in return, the donor receives a guaranteed fixed income for life. Unlike bequests, the gift annuity produces income to the donor throughout his or her lifetime.

WILLS, BEQUESTS AND TRUSTS

You may also help FFB through a bequest in your will or living trust. You may designate FFB as a beneficiary of all or a portion of your estate. Also, you may donate a remainder of your estate after expenses and gifts to your family and friends, or designate a trust for use by a family member during his or her lifetime. You can include estate assets such as real estate, jewelry, valuable collectibles, art and antiques.

UNRESTRICTED GIFTS

When you do not restrict the use of your gift, you give The Foundation flexibility to meet changing or urgent needs such as funding promising new research initiatives.

VOLUNTEERING

Besides your financial support, your individual talents and professional associations can be enormously useful to The Foundation. Whether you are interested in assuming a leadership role in your community or helping out at one of our many fundraising events around the country, your support is needed! Call 800-683-5555.

TRIBUTE GIFTS

Many FFB supporters use Tribute Gifts as a way of honoring an individual, commemorating a special occasion or memorializing a friend or family member. FFB will notify the person or family being acknowledged without mention of the gift amount. Tribute gifts may be sent to The Foundation Fighting Blindness P.O. Box 17279, Baltimore, MD 21203-7279. Please include the name and address of those to be notified and the occasion or reason for the tribute.

With your Support, There is a Cure in Sight!

The Foundation Fighting Blindness has affiliates and key volunteer groups in the following states: Alaska, Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, Utah, Virginia and Wisconsin.

The Foundation Fighting Blindness is a 501(c)(3) organization as determined by the Internal Revenue Service and is approved by the Office of Personnel Management for participation in the Combined Federal Campaign (#1714).

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Foundation Fighting Blindness

Driving research to save & restore sight

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