

BVA Blinded Veterans Association

Financial Statements

For the Year Ended June 30, 2020



HERTZBACH
certified public accountants · consultants

Blinded Veterans Association

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For the Year Ended June 30, 2020

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Independent Auditor's Report

To the Board of Directors of
Blinded Veterans Association
1101 King Street Suite 300
Alexandria, Virginia 22314

We have audited the accompanying financial statements of Blinded Veterans Association (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blinded Veterans Association as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 of the financial statements, during the year ended June 30, 2020, the Organization adopted Financial Accounting Standards Board Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

As also discussed in Note 1 of the financial statements, during the year ended June 30, 2020, the Organization adopted ASU No. 2018-08 – *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Hertzbach & Company, P.A.

Owings Mills, MD
November 4, 2020

Blinded Veterans Association

Statement of Financial Position

As of June 30, 2020

	<u>2020</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 300,437
Promises to give	158,320
Accounts receivable, other	10,311
Prepaid expenses	<u>38,372</u>
Total current assets	<u>507,440</u>
Property and equipment, net	<u>2,058,121</u>
Other assets	
Investments designated by Board for:	
Investment fund	7,726,276
Life membership fund	<u>1,030,093</u>
Total other assets	<u>8,756,369</u>
Total assets	<u><u>\$ 11,321,930</u></u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	\$ 149,962
Contract liabilities	<u>41,600</u>
Total current liabilities	<u>191,562</u>
Net assets	
Without donor restrictions:	
Undesignated	2,285,451
Board designated	<u>8,702,713</u>
Total without donor restrictions	10,988,164
With donor restrictions	<u>142,204</u>
Total net assets	<u>11,130,368</u>
Total liabilities and net assets	<u><u>\$ 11,321,930</u></u>

See independent auditor's report and accompanying notes to the financial statements.

Blinded Veterans Association

Statement of Activities
For the Year Ended June 30, 2020

	Without donor restrictions		With donor	Total
	Undesignated	Designated	restrictions	
Revenue and support				
Contributions and grants	\$ 422,204	\$ -	\$ 53,318	\$ 475,522
Annual convention	111,057	-	-	111,057
Building rent	23,531	-	-	23,531
Fundraising	692,978	-	-	692,978
	1,249,770	-	53,318	1,303,088
Net assets released from restrictions:				
Satisfaction of purpose restrictions	111,762	-	(111,762)	-
Total revenue and support	1,361,532	-	(58,444)	1,303,088
Expenses				
Program services:				
Field service programs	385,438	-	-	385,438
Annual convention	154,961	-	-	154,961
Operation peer support	59,292	-	-	59,292
Education	569,722	-	-	569,722
Total program services	1,169,413	-	-	1,169,413
Supporting services:				
Fundraising	199,448	-	-	199,448
Management and general	889,989	-	-	889,989
Total supporting services	1,089,437	-	-	1,089,437
Total expenses	2,258,850	-	-	2,258,850
(Deficit) excess of revenue and support over expenses	(897,318)	-	(58,444)	(955,762)
Other income (expense)				
Interest and dividends, net of investment fees	-	165,178	-	165,178
Realized gain on investments	-	142,371	-	142,371
Unrealized loss on investments	-	(375,898)	-	(375,898)
Apportionment of life membership fund investment income	-	(43,987)	-	(43,987)
Life member dues and miscellaneous income	-	17,995	-	17,995
Total other income, net	-	(94,341)	-	(94,341)
Change in net assets	(897,318)	(94,341)	(58,444)	(1,050,103)
Transfers	812,770	(812,770)	-	-
Net assets, beginning of year	2,369,999	9,609,824	200,648	12,180,471
Net assets, end of year	\$ 2,285,451	\$ 8,702,713	\$ 142,204	\$ 11,130,368

See independent auditor's report and accompanying notes to financial statements.

Blinded Veterans Association

Statement of Functional Expenses For the Year Ended June 30, 2020

	Program services					Supporting services				Total
	Field service programs	Annual convention	Operation peer support	Education	Total program services	Fundraising	Management and general	Total supporting services		
Salaries and wages	\$ 160,237	\$ 33,362	\$ 4,804	\$ 193,792	\$ 392,195	\$ 31,190	\$ 283,979	\$ 315,169	\$ 707,364	
Payroll taxes	18,265	3,287	416	18,407	40,375	2,497	34,979	37,476	77,851	
Employee benefits	40,799	2,625	-	26,173	69,597	-	53,380	53,380	122,977	
Advertising	-	712	2,000	707	3,419	2,358	-	2,358	5,777	
Audit and tax	-	-	-	-	-	-	18,700	18,700	18,700	
Awards and grants	-	-	-	-	-	2,293	-	2,293	2,293	
Bank charges	-	40	-	-	40	3,173	12,187	15,360	15,400	
Board liaison	-	-	-	-	-	-	941	941	941	
Board meetings	-	-	-	-	-	-	8,923	8,923	8,923	
Building expenses	45,317	3,237	-	38,844	87,398	1,618	72,832	74,450	161,848	
Building maintenance	2,866	205	-	2,457	5,528	102	4,606	4,708	10,236	
BVA bulletin	-	-	-	34,269	34,269	-	-	-	34,269	
Depreciation	52,352	-	-	26,620	78,972	4,437	5,324	9,761	88,733	
Donations	-	-	4,819	-	4,819	-	-	-	4,819	
Event entertainment	-	-	-	-	-	432	-	432	432	
Event planning	-	-	-	-	-	20,000	-	20,000	20,000	
Exhibits	-	4,216	-	-	4,216	-	-	-	4,216	
Financial management and accounting services	-	-	-	-	-	-	122,755	122,755	122,755	
Food and beverage	-	48,731	-	-	48,731	-	-	-	48,731	
Gifts/awards	-	1,706	-	-	1,706	-	13,195	13,195	14,901	
Golf tournament	-	-	13,676	-	13,676	-	-	-	13,676	
Insurance	5,943	1,237	179	7,187	14,546	1,333	38,909	40,242	54,788	
Legal	18,775	1,341	-	16,093	36,209	671	30,173	30,844	67,053	
Merchandise	-	-	-	-	-	-	15,440	15,440	15,440	
Miscellaneous	9,636	5,639	5,668	90	21,033	4,994	9,110	14,104	35,137	
Office expense and supplies	446	256	-	24	726	962	14,552	15,514	16,240	
Payroll service	-	-	-	-	-	-	21,054	21,054	21,054	
Permits and licenses	-	-	-	-	-	1,500	122	1,622	1,622	
Postage and shipping	-	1,923	154	-	2,077	-	9,295	9,295	11,372	
Printing and stationery	-	8,834	-	497	9,331	3,474	23,642	27,116	36,447	
Professional fees	150	1,865	-	-	2,015	22,283	13,439	35,722	37,737	
Public education	-	-	-	1,036	1,036	-	-	-	1,036	
Public relations	-	-	-	10,962	10,962	-	-	-	10,962	
Public service announcement	-	-	-	20,085	20,085	-	-	-	20,085	
Registration	-	3,075	-	-	3,075	-	-	-	3,075	
Rent	14,202	1,014	-	12,174	27,390	508	22,825	23,333	50,723	
Rental and equipment	11,709	836	-	10,035	22,580	418	18,816	19,234	41,814	
Repairs and maintenance	-	-	-	-	-	-	2,971	2,971	2,971	
Retirement plan expense	1,691	218	30	66	2,005	-	2,593	2,593	4,598	
Sponsorship fulfillment	-	4,533	-	-	4,533	-	-	-	4,533	
Storage	-	-	-	-	-	-	4,061	4,061	4,061	
Subscriptions and dues	-	-	-	18,590	18,590	2,114	4,614	6,728	25,318	
Telephone and communications	-	-	-	-	-	-	12,810	12,810	12,810	
Website design	-	-	-	48,522	48,522	-	9,350	9,350	57,872	
Travel	3,050	26,069	27,546	6,506	63,171	64	3,504	3,568	66,739	
Direct mail	-	-	-	76,586	76,586	93,027	908	93,935	170,521	
Total expenses	\$ 385,438	\$ 154,961	\$ 59,292	\$ 569,722	\$ 1,169,413	\$ 199,448	\$ 889,989	\$ 1,089,437	\$ 2,258,850	

See independent auditor's report and accompanying notes to financial statements.

Blinded Veterans Association

Statement of Cash Flows
For the Year Ended June 30, 2020

	<u>2020</u>
Cash flows from operating activities	
Change in net assets	\$ (1,050,103)
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:	
Depreciation	88,733
Net realized and unrealized loss on investments	233,527
(Increase) decrease in operating assets:	
Promises to give	108,898
Accounts receivable, other	37,495
Prepaid expenses	22,966
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	(24,189)
Contract liabilities	(43,790)
Net cash and cash equivalents used in operating activities	<u>(626,463)</u>
Cash flows from investing activities	
Acquisition of property and equipment	(80,394)
Purchase and reinvestment of investments	(2,710,498)
Proceeds from redemption and sale of investments	<u>3,383,476</u>
Net cash and cash equivalents provided by investment activities	<u>592,584</u>
Net increase in cash and cash equivalents	(33,879)
Cash and cash equivalents at beginning of year	<u>334,316</u>
Cash and cash equivalents at end of year	<u><u>\$ 300,437</u></u>

See independent auditor's report and accompanying notes to financial statements.

Blinded Veterans Association

Notes to Financial Statements
For the Year Ended June 30, 2020

1) Nature of Business and Summary of Significant Accounting Policies

Nature of Business

The Blinded Veterans Association ("BVA" or "Organization") was chartered by an act of the U.S. Congress in 1958 to promote the welfare of blinded veterans, strengthen the spirit of fellowship among blinded veterans and further the institutions of American freedom and loyalty to the Constitution and laws of the United States. The Organization is a publicly supported organization and, as such, contributions to the Organization qualify as charitable deductions for tax purposes by the donor. The Organization is primarily supported by donor contributions, bequests, and investment income.

Method of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified in the following two classes:

Net assets with donor restrictions consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources be maintained in perpetuity, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Net assets without donor restrictions represents funds that are available for support of the operations of the Organization, and that are not subject to donor stipulation.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Board-designated net assets are net assets without donor restrictions that are used only for the specific purpose by Board resolution (See Note 11).

See independent auditor's report.

Blinded Veterans Association

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

1) Nature of Business and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments, except for cash and money market funds held in brokerage accounts designated by the Board of Directors, purchased with an original maturity of three months or less to be cash equivalents.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Contributions and Promises to Give

The Organization receives contributions from the general public. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unless specifically restricted by the donor, all contributions are considered to be available for unrestricted use. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

All promises to give are expected to be collected within one year. The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. At June 30, 2020, management's assessment was that all promises to give were deemed to be collectible.

Contributed Services

Donated professional services meeting the criteria for recognition as contributed services are reflected in the financial statements at their estimated fair value. The Organization also receives contributed services in various capacities from volunteers to help accomplish its program objectives. The estimated value of these donated, nonprofessional services is not reflected in the financial statements as the services do not meet the criteria for recognition as contributed services. The estimated fair value of the donated professional services for the year ended June 30, 2020 was \$56,645 and is included in contributions and grants in the statement of activities.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Investment income (including realized and unrealized gains and losses on investments) is included in the statement of activities as changes in net assets without donor restrictions unless the income is restricted by donor or law. Interest income is recorded on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

See independent auditor's report.

Blinded Veterans Association

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

1) Nature of Business and Summary of Significant Accounting Policies (Continued)

Investments (Continued)

The Organization's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the statement of financial position are subject to various risks including changes in equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the statement of financial position could change materially in the near term.

Property and Equipment

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the assets.

The Organization capitalizes property and equipment acquired with a value greater than \$2,000. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred.

Advertising

Advertising costs are expensed as incurred. Advertising costs for the year ended June 30, 2020 were \$5,777 and are included in various program services and fundraising in the statement of activities.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Directly identifiable program expenses are charged to service programs. Certain costs have been allocated among the programs and supporting services benefited using estimates. Although these allocation estimates are reasonable, actual expenses by function may differ. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes

The Organization is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. As a result, the Organization is not subject to federal income taxes, except for taxes on unrelated business income. There was no unrelated business net income for the year ended June 30, 2020.

Contract Liabilities

Contract liabilities consists primarily of advance payments received for sponsorship of virtual events occurring in the next fiscal year. The Organization records revenue for the virtual events when the event occurs.

See independent auditor's report.

Blinded Veterans Association

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

1) Nature of Business and Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Fundraising revenue consists primarily of contributions from direct mail activities and is recorded at a point in time when contributions are received.

Unconditional promises to give are recognized as revenue in the period the promise to give is received. Grant revenue for unconditional grants is recognized in the period the grant is received. Bequests are recorded as revenue at a point in time when the bequest is determined to be irrevocable and the amount to be received can be reasonably determined.

The Organization holds an annual conference and other events and collects registration fees, sponsorship fees, and other income associated with the events. Revenue is recorded at a point in time when the event occurs.

Life and associate member dues are recorded at the amount that reflects consideration the Organization expects to receive in exchange for the goods and services provided. Dues are invoiced on a fiscal year basis and member benefits are provided continuously over the course of the year. As a result, revenue is recognized on a straight-line basis over the one-year membership period as performance obligations are fulfilled.

Rental income is recorded ratably over the rental period.

Disaggregation of Revenue

The Organization recognizes revenue over time or at a point in time based on the performance obligation of each contract. Various economic factors affect revenues and cash flows. Substantially all members are in the United States. Revenue for each source is typically collected within 90 days.

Change in Accounting Principle

On July 1, 2019, the Organization adopted FASB Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) using the modified retrospective method of adoption to all contracts with customers at July 1, 2019. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to members in amounts that reflect the consideration to which the Organization expects to be entitled in exchange for those goods or services. The amount to which the Organization expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services. Because contracts are generally completed within a year, the Organization used the actual transaction price rather than estimating variable consideration amounts for contracts completed during the period ending June 30, 2020. ASU 2014-09 also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of the standard did not result in a change to the way the Organization recognizes revenue; therefore, there was no cumulative effect adjustment to beginning net assets.

In FY 2020, the Organization adopted ASU No. 2018-08 – *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The core guidance in ASU 2018-08 is to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Adoption of ASU 2018-08 resulted in no changes in presentation of the financial statements.

See independent auditor's report.

Blinded Veterans Association

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

2) Financial Management Agreement

The Organization has an agreement with SmithBucklin Corporation to oversee and handle its financial management. SmithBucklin Corporation provides financial management and accounting services. This agreement is automatically renewed on a yearly basis, with the current agreement scheduled to expire on February 28, 2021. The total fees paid to SmithBucklin Corporation were \$122,755 for the year ended June 30, 2020. At June 30, 2020, \$21 was due to SmithBucklin and is included in accounts payable and accrued expenses on the accompanying statement of financial position.

3) Related Parties

The Organization and various regional groups are related inasmuch as the Organization has the authority to issue, revoke, and amend their charters. The Organization collects and remits a portion of the annual dues collected from members and the entire portion of designated investment earnings from life dues to the regional groups.

At June 30, 2020, amounts payable to the various regional groups for designated investment earnings were \$53,656 and are included in accounts payable and accrued expenses on the accompanying statement of financial position.

4) Investments

Investments consist of the following as of June 30, 2020:

	Fair value	Cost
Cash and cash equivalents	\$ 3,105,401	\$ 3,105,401
Common stocks	3,763	1,645
Exchange traded funds	636,978	679,870
Mutual funds	1,722,681	1,841,040
Corporate bonds	14,841	20,482
Senior unsecured debt obligations	3,272,705	2,925,349
Total investments designated by Board	<u>\$ 8,756,369</u>	<u>\$ 8,573,787</u>

The Organization continually reviews its investment portfolios and evaluates whether declines in the fair value of securities should be considered other-than-temporary. Factored into this evaluation are the general market conditions, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendation of investment advisors and the length of time and extent to which the market's value has been less than cost, and the ability and intent of the Organization to hold investments in the long term.

See independent auditor's report.

Blinded Veterans Association

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

5) Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020:

Common Stocks

Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds and Exchange Traded Funds

Valued at the daily closing price as reported by the fund. Mutual funds and exchange traded funds held by the Organization are open-ended investments that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price.

See independent auditor's report.

Blinded Veterans Association

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

5) Fair Value Measurements (Continued)

Corporate Bonds

Valued at fair value based on quoted market prices for similar securities in active markets that the Organization has the ability to access at the measurement date.

Senior Unsecured Debt

Valued at active trades, comparable instrument trades, or present value of discounted future cash flows.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Common stocks	\$ 3,763	\$ -	\$ -	\$ 3,763
Exchange traded funds	636,978	-	-	636,978
Mutual funds	1,722,681	-	-	1,722,681
Corporate bonds	14,841	-	-	14,841
Senior unsecured debt obligations	-	3,272,705	-	3,272,705
Total investments at fair value	<u>\$ 2,378,263</u>	<u>\$ 3,272,705</u>	<u>\$ -</u>	<u>\$ 5,650,968</u>

Cash and cash equivalents of \$3,105,401 as of June 30, 2020, which are included in Investments designated by Board in the statement of financial position have been excluded from the table of investments at fair value because they are not considered recurring fair value measures.

6) Property and Equipment

Property and equipment at June 30, 2020 is comprised of the following:

Furniture and equipment	\$ 215,987
Building	<u>2,040,911</u>
	2,256,898
Less: accumulated depreciation	<u>198,777</u>
Total property and equipment, net	<u>\$ 2,058,121</u>

Depreciation expense for the year ended June 30, 2020 was \$88,733.

See independent auditor's report.

Blinded Veterans Association

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

7) Operating Leases

The Organization leased a building and office equipment under operating leases that expired in September 2019. Rent expense of \$50,723 pertaining to the building lease is included in management and general expenses on the statement of activities for the year ended June 30, 2020. There are various operating leases for office equipment ranging in expiration dates from March 2021 to August 2022. The equipment lease agreements are collateralized by the equipment. Rent expense of \$6,514 pertaining to the equipment leases is included in management and general expenses on the statement of activities for the year ended June 30, 2020.

Future minimum lease payments under noncancelable operating leases for the year ended June 30, 2020 are as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2021	\$ 5,025
2022	3,972
2023	<u>662</u>
	<u>\$ 9,659</u>

8) Retirement Benefits

The Organization participates in a tax deferred plan for the benefit of its employees under Section 403(b) of the Internal Revenue Code. The Organization provides a matching contribution equal to 25% of participating employee contributions with a maximum at 4% of annual salary. The retirement expense for the year ended June 30, 2020 was \$4,598.

9) Allocation of Joint Costs

The Organization conducts mail campaigns that include requests for contributions, as well as program components. The costs of conducting those campaigns included joint costs totaling \$170,521 in 2020, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

	<u>2020</u>
Management and general	\$ 908
Program services	76,586
Fundraising	<u>93,027</u>
	<u>\$ 170,521</u>

See independent auditor's report.

Blinded Veterans Association

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

10) Board-designated net assets

The Board-designated programs and the fund balances are as follows:

Investment fund

Established for the purpose of investing specifically designated funds of the Organization. The Board determines the amount of the funds to be invested and has established a cash reserve requirement equal to, at a minimum, the current year's operating budget. During the year ended June 30, 2020, the investment fund transferred \$800,000 to undesignated in order to fund current year operations. At June 30, 2020, the investment fund balance was \$7,726,276.

Life membership fund

Life and associate membership dues paid to the Organization are placed in the Life Membership Fund. Net earnings are divided among the various regional groups in good standing. At June 30, 2020, apportionment of net earnings and life membership dues refunds to regional groups was \$53,656 and the life membership fund balance was \$1,030,093.

Building fund

Established for the purpose of constructing or purchasing a building for the Organization's national headquarters. Net earnings are added to the principal of the fund. On January 24, 2019, the Organization purchased three condo units (building) to be used as the new site of the Organization's national headquarters. During the year ended June 30, 2020, the building fund transferred \$12,770 to undesignated in order to close the building fund and fund current year operations. At June 30, 2020, the building fund balance was \$0.

11) Net Assets

The Organization's net assets without donor restrictions and net assets with donor restrictions are comprised of the following as of June 30, 2020:

With donor restrictions	
Purpose restricted	\$ 142,204
Without donor restrictions	
Designated by Board for investing	7,726,276
Designated by Board for life membership fund	976,437
Total designated by Board	8,702,713
Undesignated	2,285,451
Total without donor restrictions	10,988,164
Total net assets	\$ 11,130,368

See independent auditor's report.

Blinded Veterans Association

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

11) Net Assets (Continued)

Further, net assets with donor restrictions were designated as follows:

	Operation peer support	Direct program activities	Total
Balance at June 30, 2019	\$ 142,589	\$ 58,059	\$ 200,648
Contributions	53,318	-	53,318
Releases	<u>(59,292)</u>	<u>(52,470)</u>	<u>(111,762)</u>
Balance at June 30, 2020	<u>\$ 136,615</u>	<u>\$ 5,589</u>	<u>\$ 142,204</u>

Releases from donor restrictions, as noted above, occurred as purpose restricted donations were expended specifically for the purposes of the operation peer support program and other direct program activities.

12) Concentration of Credit Risk

The Organization maintains cash balances at one financial institution. These balances may, from time to time, exceed amounts insured by the Federal Deposit Insurance Corporation. At June 30, 2020, the cash balances exceeded the federally insured limits by \$33,507.

13) Liquidity Analysis

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Financial assets held at year end:

Cash and cash equivalents	\$ 300,437
Promises to give	158,320
Accounts receivable, other	10,311
Investments	<u>8,756,369</u>
Total financial assets	<u>9,225,437</u>

Less: board-designated or donor imposed restrictions:

Board-designated restrictions:	
Investment fund	(7,726,276)
Life membership fund	(976,437)
Donor imposed restrictions:	
Operation peer support	(136,615)
Direct program activities	<u>(5,589)</u>
Financial assets with restrictions	<u>(8,844,917)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 380,520</u>

See independent auditor's report.

Blinded Veterans Association

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

14) Liquidity Analysis (Continued)

The Organization's investments consist of board-designated investments. The use of these assets is limited to the spending policy for which they were designated and may be available for general expenditure (see Note 10). Upon approval of the board, the Organization may utilize the investment funds in excess of the spending policy. Accordingly, these investments may become available for general expenditure.

As part of BVA's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Organization invests cash in excess of daily requirements in short-term investments. Although the Organization does not intend to spend from the investment fund other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its investment fund could be made available if necessary, with the approval from the Board of Directors.

15) Business Risks

The Organization could potentially be affected by natural disasters, public health crises, such as pandemics and epidemics, or other events outside of their control, which could cause their business and operating results to suffer.

16) Subsequent Events

Beginning in late January 2020, the Company began to suffer a disruption in business as a result of the outbreak of the coronavirus. Given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time.

Management has evaluated events and transactions for potential recognition or disclosure through the independent auditor's report date, the date the consolidated financial statements were available to be issued. Except as described above, there were no other events that required recognition or disclosure in the consolidated financial statements.

See independent auditor's report.