

Blinded Veterans Association

Financial Statements

For the Year Ended June 30, 2018



HERTZBACH
certified public accountants · consultants

Blinded Veterans Association

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For the Year Ended June 30, 2018

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Independent Auditor's Report

To the Board of Directors of
Blinded Veterans Association
125 N. West Street, 3rd Floor
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, 2018, 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

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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, 2018, 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.

Prior Period Financial Statements

The financial statements of Blinded Veterans Association as of June 30, 2017 were audited by other auditors, whose report dated November 28, 2017 expressed an unmodified opinion on those statements.

Other Matter

As discussed in Note 2 to the financial statements, Blinded Veterans Association has restated its 2017 financial statements. As part of our audit of the 2018 financial statements referred to above, we also audited the adjustment described in Note 2 that were applied to restate the 2017 financial statements. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 financial statements of the Blinded Veterans Association other than with respect to the adjustment, and accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements as a whole.

Hertzbach & Company, P.A.

Arlington, Virginia
December 10, 2018

Blinded Veterans Association

Statement of Financial Position

As of June 30, 2018

Assets

Current assets

Cash and cash equivalents	\$ 327,560
Promises to give	595,006
Accounts receivable, other	18,806
Prepaid expenses	74,856

Total current assets 1,016,228

Property and equipment, net

46,074

Other assets

Investments designated by Board for:

Investment fund	6,067,910
Life membership fund	1,105,388
Building fund	4,266,521

Total other assets 11,439,819

Total assets \$ 12,502,121

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$ 219,532
Deferred revenue	72,715

Total current liabilities 292,247

Net assets

Unrestricted:

Undesignated	638,958
Board designated	11,392,795
Total unrestricted	12,031,753

Temporarily restricted 178,121

Total net assets 12,209,874

Total liabilities and net assets \$ 12,502,121

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

Blinded Veterans Association

Statement of Activities
For the Year Ended June 30, 2018

	Unrestricted		Temporarily	Total
	Undesignated	Designated	restricted	
Revenue and support				
Contributions and grants	\$ 664,034	\$ -	\$ 226,355	\$ 890,389
Annual convention	149,274	-	-	149,274
Fundraising	1,491,907	-	-	1,491,907
	<u>2,305,215</u>	<u>-</u>	<u>226,355</u>	<u>2,531,570</u>
Net assets released from restrictions:				
Satisfaction of restrictions	<u>223,199</u>	<u>-</u>	<u>(223,199)</u>	<u>-</u>
Total revenue and support	<u>2,528,414</u>	<u>-</u>	<u>3,156</u>	<u>2,531,570</u>
Expenses				
Program services:				
Field service programs	422,854	-	-	422,854
Annual convention	147,328	-	-	147,328
Operation peer support	87,732	-	-	87,732
Education	901,757	-	-	901,757
Total program services	<u>1,559,671</u>	<u>-</u>	<u>-</u>	<u>1,559,671</u>
Supporting services:				
Fundraising	618,039	-	-	618,039
Management and general	1,171,042	-	-	1,171,042
Total supporting services	<u>1,789,081</u>	<u>-</u>	<u>-</u>	<u>1,789,081</u>
Total expenses	<u>3,348,752</u>	<u>-</u>	<u>-</u>	<u>3,348,752</u>
Excess (deficit) of revenue and support over expenses	<u>(820,338)</u>	<u>-</u>	<u>3,156</u>	<u>(817,182)</u>
Other (income) expense				
Interest and dividends	-	(351,900)	-	(351,900)
Realized gain on investments	-	(55,842)	-	(55,842)
Unrealized gain on investments	-	(216,657)	-	(216,657)
Investment fees	-	27,063	-	27,063
Apportionment of life membership fund investment income	-	35,998	-	35,998
Life member dues, net	-	(7,240)	-	(7,240)
Total other (income) expense	<u>-</u>	<u>(568,578)</u>	<u>-</u>	<u>(568,578)</u>
Change in net assets	<u>(820,338)</u>	<u>568,578</u>	<u>3,156</u>	<u>(248,604)</u>
Transfers	600,000	(600,000)	-	-
Net assets, beginning of year (as restated)	<u>859,296</u>	<u>11,424,217</u>	<u>174,965</u>	<u>12,458,478</u>
Net assets, end of year	<u>\$ 638,958</u>	<u>\$ 11,392,795</u>	<u>\$ 178,121</u>	<u>\$ 12,209,874</u>

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

Blinded Veterans Association

Statement of Functional Expenses For the Year Ended June 30, 2018

	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	\$ 247,441	\$ 30,982	\$ -	\$ 147,040	\$ 425,463	\$ 22,853	\$ 510,856	\$ 533,709	\$ 959,172	
Payroll taxes	15,189	3,282	1,165	11,723	31,359	2,477	44,132	46,609	77,968	
Employee benefits	43,656	9,592	-	2,137	55,385	7,808	64,112	71,920	127,305	
Hotel/Event Space	-	72,235	-	-	72,235	-	-	-	72,235	
Exhibits	-	4,528	-	-	4,528	-	-	-	4,528	
Advertising	-	-	-	8,000	8,000	-	-	-	8,000	
Audit and tax	-	-	-	-	-	-	25,875	25,875	25,875	
Awards and grants	-	-	-	-	-	50	13,585	13,635	13,635	
Board meetings	-	-	-	-	-	-	14,612	14,612	14,612	
Building maintenance	-	-	-	-	-	-	2,884	2,884	2,884	
BVA bulletin	-	-	-	64,370	64,370	-	-	-	64,370	
Conventions and meetings	-	-	-	-	-	6,387	-	6,387	6,387	
Depreciation	12,979	-	-	6,599	19,578	1,100	1,320	2,420	21,998	
Employee training	903	-	-	-	903	-	577	577	1,480	
Financial management and accounting services	-	-	-	-	-	-	39,333	39,333	39,333	
Golf tournament	-	-	17,898	-	17,898	-	-	-	17,898	
Hurricane harvey expenses	-	-	-	-	-	57,817	-	57,817	57,817	
Insurance	27,414	3,210	-	13,544	44,168	(679)	32,672	31,993	76,161	
Legal	-	-	-	-	-	-	9,807	9,807	9,807	
Miscellaneous	8,879	435	5,720	-	15,034	-	3,512	3,512	18,546	
Office expense and supplies	995	5,882	4,796	357	12,030	858	9,039	9,897	21,927	
Payroll service	-	-	-	-	-	-	4,856	4,856	4,856	
Permits and licenses	-	-	99	-	99	7,371	2,162	9,533	9,632	
Postage and shipping	641	2,309	50	-	3,000	26,350	8,847	35,197	38,197	
Printing and stationery	1,315	-	102	54	1,471	-	11,286	11,286	12,757	
Professional fees	4,038	-	1,252	-	5,290	5,307	65,618	70,925	76,215	
Public relations	179	-	12,463	9,849	22,491	500	668	1,168	23,659	
Rental and equipment	10,054	163	-	-	10,217	-	53,613	53,613	63,830	
Repairs and maintenance	-	-	-	-	-	-	37,221	37,221	37,221	
Retirement plan expense	1,670	370	-	233	2,273	21	9,829	9,850	12,123	
Rent	-	-	-	-	-	-	145,902	145,902	145,902	
Stipend - blind center	1,059	-	-	-	1,059	-	-	-	1,059	
Board liaison	-	-	-	-	-	-	5,910	5,910	5,910	
Storage	-	-	-	-	-	-	1,506	1,506	1,506	
Subscriptions and dues	8,492	-	-	9,365	17,857	1,239	9,015	10,254	28,111	
Telephone and communications	-	-	-	-	-	-	9,684	9,684	9,684	
Website design	-	-	-	-	-	-	2,478	2,478	2,478	
Travel	37,949	13,865	44,069	761	96,644	41	11,965	12,006	108,650	
Bank charges	1	475	118	-	594	5,202	7,780	12,982	13,576	
Direct mail	-	-	-	627,725	627,725	473,337	10,386	483,723	1,111,448	
Total expenses	\$ 422,854	\$ 147,328	\$ 87,732	\$ 901,757	\$ 1,559,671	\$ 618,039	\$ 1,171,042	\$ 1,789,081	\$ 3,348,752	

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

Blinded Veterans Association

Statement of Cash Flows
For the Year Ended June 30, 2018

Cash flows from operating activities

Change in net assets	\$ (248,604)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	21,998
Net realized and unrealized gain on investments	(272,499)
(Increase) decrease in operating assets	
Promises to give	51,866
Accounts receivable	(16,642)
Inventories	1,782
Prepaid expenses	1,843
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	(90,825)
Deferred revenue	(21,527)
Net cash used in operating activities	<u>(572,608)</u>

Cash flows from investing activities

Purchase and reinvestment of investments	(5,262,928)
Proceeds from redemption and sale of investments	<u>5,558,734</u>
Net cash provided by investment activities	<u>295,806</u>

Net decrease in cash and cash equivalents

	(276,802)
Cash and cash equivalents at beginning of year	<u>604,362</u>
Cash and cash equivalents at end of year	<u><u>\$ 327,560</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, 2018

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 they are incurred.

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.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets, if applicable: unrestricted, temporarily restricted, and permanently restricted. The determination of a net asset class is established by the existence or absence of legally enforceable restrictions from outside the Organization. If no outside restrictions exist, then all net assets are recorded as unrestricted. Unrestricted net assets include undesignated and designated net assets. Designated net assets are set aside by the Board of Directors for the funding of special programs (See Note 12).

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 unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

See independent auditor's report.

Blinded Veterans Association

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

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

Contributions and Promises to Give (Continued)

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, 2018, 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 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 and travel for the year ended June 30, 2018 was \$21,974.

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 unrestricted net assets unless the income is restricted by donor or law. Interest income is measured as earned 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.

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 unrestricted contributions 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, 2018 were \$8,000 and are included in Program services: Education in the Statement of activities.

See independent auditor's report.

Blinded Veterans Association

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

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

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. Accordingly, 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, 2018.

Deferred Revenue

The Organization records advance payments received for the annual convention as deferred revenue. Revenue is recognized when the convention occurs.

2) Prior Period Adjustment

During the year ended June 30, 2018, management determined that sponsorship contributions were being recorded as revenue when received rather than in the period when the annual convention takes place. As a result, net assets as of June 30, 2017, have been restated to correct the error. The effect of the restatement was to decrease temporarily restricted net assets, beginning of year, by \$90,250 and decrease unrestricted net assets, beginning of year, by \$3,922.

3) 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, 2019. The total fees paid to SmithBucklin Corporation were \$39,333 for the year ended June 30, 2018. At June 30, 2018, \$19,765 was due to SmithBucklin.

4) 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, 2018, amounts payable to the various regional groups for life membership dues refunds were \$60 and amounts payable for designated investment earnings were \$46,964.

See independent auditor's report.

Blinded Veterans Association

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

5) Investments

Investments consisted of the following as of June 30, 2018:

	<u>Fair Value</u>	<u>Cost</u>
Cash and cash equivalents	\$ 95,882	\$ 95,882
Common stock	525,763	446,178
Exchange traded funds	451,604	456,521
Mutual funds	5,848,032	5,596,901
Preferred fixed rate capital securities	7,535	7,820
Preferred stock	21,644	22,797
Corporate bonds	18,715	20,482
Senior unsecured debt obligations	<u>4,470,644</u>	<u>4,210,416</u>
Total investments designated by Board	<u>\$ 11,439,819</u>	<u>\$ 10,856,997</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.

6) 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.

See independent auditor's report.

Blinded Veterans Association

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

6) Fair Value Measurements (Continued)

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, 2018 and 2017:

Common and Preferred 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.

Corporate Bonds and Other Fixed Income Securities

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.

See independent auditor's report.

Blinded Veterans Association

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

6) Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2018:

	Assets at fair value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Common stock	525,763	\$ -	\$ -	\$ 525,763
Exchange traded funds	451,604	-	-	451,604
Mutual funds	5,848,032	-	-	5,848,032
Preferred fixed rate capital securities	7,535	-	-	7,535
Preferred stock	21,644	-	-	21,644
Corporate bonds	18,715	-	-	18,715
Senior unsecured debt obligations	-	4,470,644	-	4,470,644
Total investments at fair value	<u>\$ 6,873,293</u>	<u>\$ 4,470,644</u>	<u>\$ -</u>	<u>\$ 11,343,937</u>

Cash and cash equivalents of \$95,882 as of June 30, 2018, 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.

7) Property and Equipment, Net

Property and equipment at June 30, 2018, is comprised of the following:

	2018
Furniture and equipment	\$ 112,218
Less: Accumulated depreciation	<u>66,144</u>
Total property and equipment, net	<u>\$ 46,074</u>

Depreciation expense for the year ended June 30, 2018 was \$21,998.

8) Leases

The Organization leases a building and office equipment under operating leases expiring through January 2020. Rent expense of \$145,902 pertaining to the building lease is included in management and general expenses on the statement of activities for the year ended June 30, 2018. There are various operating leases for office equipment ranging in expiration dates from July 2017 to August 2023. The equipment lease agreements are collateralized by the equipment. Rent expense of \$9,426 pertaining to the equipment leases is included in management and general expenses on the statement of activities for the year ended June 30, 2018.

See independent auditor's report.

Blinded Veterans Association

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

8) Leases (Continued)

Future minimum lease payments under noncancelable operating leases for the year ended June 30, 2018 is as follows:

	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
2019	\$ 149,583	\$ 7,651	\$ 157,234
2020	88,765	6,514	95,279
2021	-	5,025	5,025
2022	-	3,972	3,972
2023	-	662	662
	<u>\$ 238,348</u>	<u>\$ 23,824</u>	<u>\$ 262,172</u>

9) Retirement Benefits

The Organization participates in a tax deferred account 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 2018 was \$12,123.

10) 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 \$1,111,448 in 2018, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

	<u>2018</u>
Management and general	\$ 10,386
Program services	627,725
Fundraising	473,337
	<u>\$ 1,111,448</u>

11) Board Designated Unrestricted 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. There was a \$600,000 transfer from the designated reserve to the undesignated reserve during 2018. At June 30, 2018, the investment fund balance was \$6,067,910.

See independent auditor's report.

Blinded Veterans Association

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2018

11) Designated Net Assets (Continued)

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, 2018, apportionment of net earnings and life membership dues refunds to regional groups was \$47,024 and the life membership fund balance was \$1,105,388.

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 December 6, 2018, the Organization signed an agreement for the purchase of three condo units to be used as the new site of the Organization's national headquarters (see note 14). A portion of the Building fund will be used for this purchase. At June 30, 2018, the security deposit receivable was \$10,833 and the building fund balance was \$4,255,688.

12) Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following programs:

	<u>2018</u>
Operation peer support	\$ 119,227
Direct program activities	<u>58,894</u>
	<u>\$ 178,121</u>

13) 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, 2018, the cash balances did not exceed the federally insured limits.

14) Subsequent Events

On December 6, 2018, at a purchase price of \$2,025,000, the Organization signed an agreement for the purchase of three condo units to be used as the new site of the Organization's national headquarters. A portion of the Building fund will be used for this purchase. In connection with the purchase of the condo units, the Organization committed to lease the units back to the seller through August 31, 2019. The seller will pay all operating costs for the units during the leaseback period.

Management has evaluated events and transactions subsequent to the statement of financial position date for potential recognition or disclosure through December 10, 2018, the date the financial statements were available to be issued. Except as noted above, no significant events have been identified that would require recognition or disclosure in the accompanying financial statements.

See independent auditor's report.