

**AMERICAN BROTHERHOOD FOR THE BLIND  
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND  
T/A BLIND CHILDREN AND ADULTS ACTION FUND OF AMERICA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**



## Table of Contents

	<b>Page</b>
<b>Independent Auditor's Report</b>	1-2
<b>Financial Statements</b>	
Statement of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-17

## Independent Auditor's Report

To the Board of Directors and Officers of American Brotherhood for the Blind T/A American Action Fund for Blind Children and Adults and T/A Blind Children and Adults Action Fund of America

### Opinion

We have audited the financial statements of American Brotherhood for the Blind (the "Action Fund") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Action Fund as of December 31, 2022, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Action Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Action Fund's ability to continue as a going concern for one year.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

## Independent Auditor's Report (Continued)

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Action Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Action Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Rosen, Sapperstein & Friedlander, LLC*

Rosen, Sapperstein & Friedlander, LLC  
Baltimore, Maryland  
March 21, 2023

**AMERICAN BROTHERHOOD FOR THE BLIND  
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND  
T/A BLIND CHILDREN AND ADULTS ACTION FUND OF AMERICA  
STATEMENT OF FINANCIAL POSITION  
December 31, 2022**

---

ASSETS

Cash and cash equivalents	\$ 1,705,483
Prepaid expenses	105,589
Other receivables	13,339
Investments	29,748,858
Investment - Trust	294,754
Other investments - life insurance	1,755,839
Property and equipment - net	<u>214,042</u>
 TOTAL ASSETS	 <u><u>\$ 33,837,904</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 283,380
Accrued annuity benefit	<u>97,560</u>

TOTAL LIABILITIES	<u>380,940</u>
-------------------	----------------

NET ASSETS

Without donor restrictions	33,159,686
With donor restrictions	<u>297,278</u>

TOTAL NET ASSETS	<u>33,456,964</u>
------------------	-------------------

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 33,837,904</u></u>
----------------------------------	-----------------------------

See Accompanying Notes to Financial Statements

**AMERICAN BROTHERHOOD FOR THE BLIND  
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND  
T/A BLIND CHILDREN AND ADULTS ACTION FUND OF AMERICA  
STATEMENTS OF ACTIVITIES  
For the Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Public support			
Contributions	\$ 3,920,904	\$ 3,962	\$ 3,924,866
Donated services	883,746	-	883,746
Total public support	4,804,650	3,962	4,808,612
Net investment loss	(6,128,522)	(100,921)	(6,229,443)
TOTAL REVENUES, GAINS AND OTHER SUPPORT	(1,323,872)	(96,959)	(1,420,831)
EXPENSES			
Program services			
Braille publications and programs	746,790	-	746,790
Tools for independence	95,464	-	95,464
Specialized programs and services	3,713,648	-	3,713,648
Total program services	4,555,902	-	4,555,902
Supporting services			
Management and general	171,888	-	171,888
Fundraising	853,071	-	853,071
Total supporting services	1,024,959	-	1,024,959
TOTAL EXPENSES	5,580,861	-	5,580,861
CHANGES IN NET ASSETS	(6,904,733)	(96,959)	(7,001,692)
NET ASSETS - BEGINNING OF YEAR	40,064,419	394,237	40,458,656
NET ASSETS - END OF YEAR	\$ 33,159,686	\$ 297,278	\$ 33,456,964

See Accompanying Notes to Financial Statements

**AMERICAN BROTHERHOOD FOR THE BLIND  
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND  
T/A BLIND CHILDREN AND ADULTS ACTION FUND OF AMERICA  
STATEMENTS OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2022**

	PROGRAM SERVICES				SUPPORTING SERVICES			GRAND TOTAL
	Braille Publications and Programs	Tools for Independence	Specialized Programs and Services	Total	Management and General	Fundraising	Total	
Volunteer services	\$ 220,936	\$ 8,837	\$ 653,972	\$ 883,745	\$ -	\$ -	\$ -	\$ 883,745
Salaries	21,557	3,593	294,608	319,758	21,557	17,964	39,521	359,279
Payroll related expenses	5,291	882	72,308	78,481	5,291	4,409	9,700	88,181
Total salaries and related expenses	247,784	13,312	1,020,888	1,281,984	26,848	22,373	49,221	1,331,205
Supplies	13,334	73,339	7,880	94,553	2,754	-	2,754	97,307
Postage and shipping	44,462	69	381,570	426,101	467	436,702	437,169	863,270
Printing and publications	371,354	112	1,147,941	1,519,407	16,442	393,839	410,281	1,929,688
Travel	3,192	5,496	11,539	20,227	8,513	-	8,513	28,740
Conferences and conventions	634	42	1,860	2,536	1,691	-	1,691	4,227
Professional fees	7,723	2,474	81,273	91,470	55,796	140	55,936	147,406
Telephone	334	83	95	512	28	17	45	557
Occupancy	3,740	449	10,322	14,511	449	-	449	14,960
Awards and grants	45,550	-	994,942	1,040,492	-	-	-	1,040,492
Information technology	3,265	87	6,683	10,035	-	-	-	10,035
Data processing	5,401	-	48,605	54,006	54,006	-	54,006	108,012
Other	-	-	-	-	4,890	-	4,890	4,890
Total expenses before depreciation	746,773	95,463	3,713,598	4,555,834	171,884	853,071	1,024,955	5,580,789
Depreciation	17	1	50	68	4	-	4	72
<b>TOTAL EXPENSES</b>	<b>\$ 746,790</b>	<b>\$ 95,464</b>	<b>\$ 3,713,648</b>	<b>\$ 4,555,902</b>	<b>\$ 171,888</b>	<b>\$ 853,071</b>	<b>\$ 1,024,959</b>	<b>\$ 5,580,861</b>

See Accompanying Notes to Financial Statements

**AMERICAN BROTHERHOOD FOR THE BLIND  
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND  
T/A BLIND CHILDREN AND ADULTS ACTION FUND OF AMERICA  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2022**

---

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ (7,001,692)
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Depreciation	72
Unrealized loss on investments	7,177,696
Realized gain on investments	(283,007)
Write-off of notes receivable	10,000
Change in accrued annuity benefit	(3,962)
Decrease (increase) in operating assets:	
Prepaid expenses	(23,161)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	<u>81,912</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(42,142)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash paid for investments	(5,435,186)
Proceeds from sale of investments	5,351,161
Cash received on principal amount of notes receivable	<u>7,463</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(76,562)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(118,704)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,824,187</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,705,483</u></u>

See Accompanying Notes to Financial Statements



**AMERICAN BROTHERHOOD FOR THE BLIND  
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND  
T/A BLIND CHILDREN AND ADULTS ACTION FUND OF AMERICA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022**

---

**NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of the Organization**

The American Brotherhood for the Blind T/A American Action Fund for Blind Children and Adults and T/A Blind Children and Adults Action Fund of America (Action Fund), headquartered in Baltimore, Maryland, is a 501(c)(3) nonprofit service agency which specializes in providing help to blind people that is not readily available to them from government programs and other existing service systems. The Action Fund fulfills its mission by focusing its efforts in three primary program service areas. Although each program service has a particular area of focus, all three programs working in relationship with each other are required to remove the artificial social, cultural, and educational obstacles which prevent blind children and adults from full participation in society.

**Braille Publications and Programs—** Beginning with early tactile exploration activities and pre-reading programs, blind children are offered multiple services and activities for acquisition of Braille reading and writing skills needed for successful adulthood, including summer braille instruction, Braille reading contests, free hard copy Braille books and electronic Braille ready files for on-site production of hard copy books. These and similar activities are coupled with mass communication programs to raise public understanding and support for requiring Braille reading and writing instruction for blind children and youth in private elementary and secondary schools.

**Tools for Independence—**White canes, slates and styluses for writing Braille, and Braille calendars are provided to blind individuals without charge upon request.

**Specialized Programs and Services—**This service area focuses on activities to eliminate massive systemic barriers embedded in education, employment; transportation, governmental services, commerce, recreation, housing, retail establishments, medical facilities, website and other exclusively visual electronic screen-based information systems, devices, and tools along with all other forms of exclusion based on misunderstandings of the true nature of the problems caused by lack of eyesight. These activities are multifaceted and include: Direct services to blind individuals; support for parents of blind children; massive broad-based communications to and interaction with individuals, public and private entities and organizations aimed at making changes to public perceptions about blindness; leadership training; support for self-advocacy and self-organization groups; legal advocacy; support for creation and distribution of new tactile methods for access to information; efforts to locate blind people needing assistance; and collaboration with other entities working toward similar goals.

**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.

**AMERICAN BROTHERHOOD FOR THE BLIND  
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND  
T/A BLIND CHILDREN AND ADULTS ACTION FUND OF AMERICA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022**

---

**NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Recently Adopted Accounting Pronouncement**

The Action Fund adopted Accounting Standards Update (ASU) 2020-7, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements.

**Basis of Presentation**

The Action Fund's financial statements are prepared on the accrual method of accounting, which recognizes revenues and the related assets when earned, and expenses and the related liabilities when obligations are incurred.

The Action Fund follows the Presentation of Financial Statements for Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. This pronouncement sets standards for the financial statement presentation for not-for-profit organizations. The Action Fund is required to report information regarding its financial position and activities according to two (2) classes of net assets: without donor restrictions and with donor restrictions based on the existence or absence of donor-imposed restrictions. Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions.

Net assets without donor restriction are net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board can designate, from net assets without donor restrictions, net assets for specific purposes.

Donor restricted net assets include assets held in trust through the donor's lifetime, and scholarship and book funds, where the donor has restricted that only the income may be used for its stated purpose and that the corpus may not be invaded. Donor restricted contributions whose restrictions are met in the same reporting period are reported as revenue within net assets without donor restrictions.

**Revenue Recognition**

The Action Fund follows both Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) and ASU 2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). ASU 2014-09 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The ASU requires that the Action Fund recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Action Fund expects to be entitled in exchange for those goods or services.

**AMERICAN BROTHERHOOD FOR THE BLIND  
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND  
T/A BLIND CHILDREN AND ADULTS ACTION FUND OF AMERICA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022**

---

**NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

ASU 2018-08 clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchanged transactions. This guidance is preferable in that it clarifies whether to account for transactions as contributions or as exchanged transactions. In addition, it clarifies whether a contribution is conditional. Contributions should follow the guidance in FASB Accounting Standards Codification (FASB ASC) 958-605, Not-for-Profit Entities—Revenue Recognition, whereas, for exchange transactions, an entity should follow other guidance such as FASB ASC 606, Revenue from Contracts with Customers.

The Action Fund follows the Revenue Recognition for Not-for-Profit Entities topic of the FASB ASC 958-605. In accordance with this standard, contributions received are recorded as without donor restrictions or with donor restrictions. All contributions received are considered to be available without restrictions unless specifically restricted by the donor.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Action Fund considers all highly liquid investments purchased with an original maturity of three (3) months or less to be a cash equivalent.

**Financial Credit Risk**

The Action Fund maintains its cash balances at several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to insured limits. As of December 31, 2022, the Action Fund's cash balances were in excess of these insured limits. Management believes that the Action Fund is not exposed to any significant credit risk with respect to its cash balances. In addition, the Action Fund generally maintains investment balances in excess of the Securities Investor Protection Corporation (SIPC) limits.

The Action Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the value reported in the financial statements.

**Notes Receivable**

Notes receivable consist of program-related loans to organizations and individuals who support the Action Fund's mission of encouraging independence and supporting entrepreneurship among the blind. Management evaluates the creditworthiness of each borrower prior to the issuance of these loans. Past due accounts are determined by management based on historical experience and other relevant factors. On a periodic basis, the Action Fund writes off uncollectible balances, after exhausting reasonable collection efforts. Based on management's historical experience, management considers all notes and other receivables to be fully collectible; therefore, no allowance for doubtful accounts has been reflected in the financial statements.

**AMERICAN BROTHERHOOD FOR THE BLIND  
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND  
T/A BLIND CHILDREN AND ADULTS ACTION FUND OF AMERICA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022**

---

**NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments**

The Action Fund's investment portfolio is classified as trading and is reported at its fair value, based on quoted market prices at December 31, 2022. Realized and unrealized holding gains and losses on trading securities with readily determinable market values are included in net investment income (loss) in the statements of activities.

**Other Investments – Life Insurance**

The Action Fund invests in life insurance policies on members of management. A policy is issued on the insured party, the Action Fund is the owner and beneficiary of the policy and as such pays all premiums.

**Property and Equipment**

Property and equipment is recorded at cost, net of accumulated depreciation. Major additions and betterments are charged to the asset accounts while maintenance and repairs which do not improve or extend the lives of the assets are expensed when incurred. Contributed property is recorded at fair value at the date of donation. Upon the sale or other disposition of assets, the cost and related accumulated depreciation are removed from the respective accounts, and any resulting gain or loss are included in operations. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the respective assets.

**Valuation of Long-Lived Assets**

The Action Fund accounts for the valuation of long-lived assets under the Impairment or Disposal of Long-Lived Assets topic of the FASB Accounting Standards Codification. Long-lived assets, such as property and equipment and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, and evaluated at least annually. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position. Management believes the value of long-lived assets exceed the carrying value as of December 31, 2022.

**AMERICAN BROTHERHOOD FOR THE BLIND  
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND  
T/A BLIND CHILDREN AND ADULTS ACTION FUND OF AMERICA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022**

---

**NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accrued Annuity Benefit**

The Action Fund had established a charitable gift annuity program where donors may contribute assets to the Action Fund and in return receive a guaranteed fixed income for life. The Action Fund maintains a segregated investment account to hold reserves required for gift annuity instruments. The investment reserve balance related to this program amounted to \$294,754. The Action Fund recognizes contribution revenue for the difference between the fair value of the assets received and the annuity liability. The gift annuity liability represents monies restricted until the annuity is satisfied.

Annuity benefit liabilities are recorded for the required life annuity payments at the present value of expected future cash payments discounted using interest rates at the date of gift and actuarial assumptions. The calculation of the liability includes the donor's estimated life expectancy. The annuity obligations are adjusted each year for changes in the life expectancy of the beneficiaries and are reduced as payments are made to the donor. This program has since been discontinued. The annuity benefit liability at December 31, 2022 includes future payments for beneficiaries who entered the program prior to its termination (see Note 3).

**Income Taxes**

The Action Fund is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). There were no income taxes paid on unrelated business activities for the year ended December 31, 2022.

**Accounting for Uncertainty in Income Taxes**

The Action Fund adopted the Accounting for Uncertainty in Income Taxes standard of the FASB Accounting Standards Codification. The standard requires the recognition and measurement of uncertain tax positions taken or expected to be taken by the Action Fund in the preparation of its tax returns. The Action Fund determines whether it is more-likely-than-not that a certain tax position will be sustained upon examination by a taxing authority. If an uncertain tax position is more-likely-than-not to be sustained, an estimate of the potential effect is recognized in the financial statements and the uncertain tax position is required to be disclosed. Per the Action Fund's evaluation as of December 31, 2022, including all prior tax years subject to examination, it was determined that no material adjustments were required in the financial statements for tax positions more-likely-than-not to be sustained upon examination by a taxing authority. The Action Fund believes it is no longer subject to income tax examinations for years prior to 2019.

**Donated Services**

Contributed nonfinancial assets includes donated services. Donated services are recognized at fair value at the time of donation if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services consist of volunteer services.

**AMERICAN BROTHERHOOD FOR THE BLIND  
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND  
T/A BLIND CHILDREN AND ADULTS ACTION FUND OF AMERICA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022**

---

**NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Donated Services (Continued)**

Volunteer services are recorded on the basis of time spent at rates paid by other organizations for comparable services. The volunteer services primarily consist of services for the orientation and adjustment to blindness and blindness advocacy, as well as accounting and administrative services. The volunteer services are recorded as both public support and program services; therefore, there is no effect on the change in net assets. No amounts have been reflected in the financial statements for the volunteer accounting and administrative services since they do not meet the criteria for recognition. The volunteer services did not have donor restrictions.

**Functional Expense Allocations**

The financial statements report certain costs that are attributable either to more than one program function and / or to one or more program function in conjunction with one or more supporting function. Such costs are reported according to their natural expense category and then allocated to the appropriate functional category on a reasonable basis that is consistently applied. Salaries are allocated on the basis of estimates of time and effort; occupancy costs are allocated on the basis of square footage; other natural costs are allocated on the basis of management identification based on observation and professional evaluation of the direct benefit of the cost to a particular program function or supporting function.

If a joint cost is incurred for an activity that includes both informational messages and fundraising appeals, that cost is also evaluated on the basis of the content of the messages, reasons for distributing the messages, and the audience to whom the message is distributed.

**New Accounting Pronouncements Not Yet Adopted**

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326). This ASU represents a significant change in the allowance for credit losses accounting model by requiring immediate recognition of management's estimates of current expected credit losses (CECL). Under the prior model, losses were recognized only as they were incurred, which FASB has noted delayed recognition of expected losses that might not yet have met the threshold of being probable. The standard also requires incremental disclosures. All entities with balances due or that otherwise has a credit exposure will be impacted. This standard will be effective for the calendar year ending December 31, 2023. The Company is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

**Subsequent Events**

Events that occurred subsequent to December 31, 2022 have been evaluated by the Action Fund's management for potential recognition or disclosure in the financial statements through the date of the independent auditor's report, which is the date the financial statements were available to be issued. The Action Fund did not have any material recognizable subsequent events during this period.

**AMERICAN BROTHERHOOD FOR THE BLIND  
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND  
T/A BLIND CHILDREN AND ADULTS ACTION FUND OF AMERICA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022**

---

**NOTE 2 – NOTES RECEIVABLES**

Notes receivable at December 31, 2022 consists of business and job related loans made with individuals who support the Action Fund’s mission of encouraging independence and supporting entrepreneurship among the blind. The loans bears interest at 3% per annum and matures June 2025. The outstanding balance due the Action Fund at December 31, 2022 amounted to \$12,893. The balance is included in other receivables in the statement of financial position.

**NOTE 3 – INVESTMENT – TRUST**

An irrevocable trust was created for the eventual benefit of the Action Fund. The terms of the Trust state that upon the death of Ramona Walhof, the property held by the Trust becomes the property without restriction of the Action Fund. The contribution was recognized as income in the year of the donation. The Action Fund has agreed to make annuity payments of approximately \$24,000 per year to Mrs. Walhof. The present value of these payments over Mrs. Walhof’s remaining lifetime is currently estimated at \$97,560 as of December 31, 2022. All provisions of the Trust Agreement remain unchanged.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2022 is summarized as follows:

Braille library - collected works	\$ 214,042
Office furniture and equipment	19,551
Braille press equipment	52,567
Braille lending library	<u>134,911</u>
	421,071
Less: Accumulated depreciation	<u>(207,029)</u>
Property and equipment - net	<u>\$ 214,042</u>

Depreciation expense for the year ended December 31, 2022 amounted to \$72. Property and equipment includes Braille library – collected works that is considered historical treasures and as such, no depreciation is recognized on this asset.

**NOTE 5 – FAIR VALUE MEASUREMENTS**

The Action Fund accounts for the fair value of its investments under the Fair Value Measurement topic of the FASB Accounting Standards Codification, which provides the 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).

**AMERICAN BROTHERHOOD FOR THE BLIND  
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND  
T/A BLIND CHILDREN AND ADULTS ACTION FUND OF AMERICA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022**

---

**NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)**

The three (3) levels of the fair value hierarchy under this guidance 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 Action Fund 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; and
- 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.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

*Mutual funds, common and preferred stocks, and corporate bonds:* Valued at the daily closing price as reported by the funds/bonds. They are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV), to transact at that price, and are deemed to be actively traded.

*Alternative investments:* Consists of mutual funds which are illiquid and valued at net asset value (NAV) using daily, monthly and quarterly valuations.

*Investments in life insurance:* Valued at accumulated value, net of surrender charges.

*Other investments:* Valued at cost.

*Accrued annuity benefits:* Valued at the present value of expected future cash payments discounted using the interest rates at the time of the gift and actuarial assumptions.



**AMERICAN BROTHERHOOD FOR THE BLIND  
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND  
T/A BLIND CHILDREN AND ADULTS ACTION FUND OF AMERICA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022**

**NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)**

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 Action Fund 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.

There have been no changes in the methodologies used at December 31, 2022. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The following table sets forth by level, within the fair value hierarchy, the Action Fund's assets and liabilities at fair value at December 31, 2022:

<u>Payor Class</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
<u>Assets:</u>				
Corporate bonds	\$ 1,568,945	\$ -	\$ -	\$ 1,568,945
Common and preferred stocks	4,444,285	-	-	4,444,285
Mutual funds	16,685,575	-	-	16,685,575
Alternative investments	-	7,264,795	-	7,264,795
Other investments	-	-	80,012	80,012
Investments subtotal	22,698,805	7,264,795	80,012	30,043,612
Other investments - life insurance	-	-	1,755,839	1,755,839
Assets at fair value	<u>\$ 22,698,805</u>	<u>\$ 7,264,795</u>	<u>\$ 1,835,851</u>	<u>\$ 31,799,451</u>
<u>Liabilities:</u>				
Accrued annuity benefits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,560</u>	<u>\$ 97,560</u>

There are private equities included in alternative investments above that have unfunded commitments in the amount of \$491,233 as of December 31, 2022. Included in the investments above are investments that are donor restricted in the amount of \$394,754 as of December 31, 2022.

The following table sets forth a summary of changes in the fair value of the Action Fund's level 3 assets and liabilities during the year ended December 31, 2022:

	<u>Assets</u>	<u>Liabilities</u>
Balance - beginning of year	\$ 2,177,061	\$ 101,522
Accrued annuity benefit adjustment	-	(3,962)
Decrease in cash surrender value	<u>(341,210)</u>	<u>-</u>
Balance - end of year	<u>\$ 1,835,851</u>	<u>\$ 97,560</u>

**AMERICAN BROTHERHOOD FOR THE BLIND  
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND  
T/A BLIND CHILDREN AND ADULTS ACTION FUND OF AMERICA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022**

---

**NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)**

The Action Fund's return on investments for the year ended December 31, 2022 consisted of the following components:

	Without donor restrictions	With donor restrictions	Total
Interest and dividends	\$ 933,825	\$ 9,761	\$ 943,586
Net realized gains (losses)	292,183	(9,176)	283,007
Net change in unrealized gains (losses)	(6,565,259)	(73,337)	(6,638,596)
Life insurance - net of premiums	(539,100)	-	(539,100)
Investment expense	<u>(250,171)</u>	<u>(28,169)</u>	<u>(278,340)</u>
Total return on investments	<u>\$ (6,128,522)</u>	<u>\$ (100,921)</u>	<u>\$ (6,229,443)</u>

**NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions at December 31, 2022 are as follows:

Investment in property and equipment	\$ 214,042
Undesignated	<u>32,945,644</u>
Total net assets without donor restrictions	<u>\$ 33,159,686</u>

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at December 31, 2022 are as follows:

Scholarship fund	\$ 50,000
Book fund	50,000
Assets held in trust	<u>197,278</u>
Total net assets with donor restrictions	<u>\$ 297,278</u>

**NOTE 8 – ALLOCATION OF JOINT COSTS**

The Action Fund incurred joint costs of \$1,628,512 for information materials and activities that included fund raising appeals. Of those costs, \$830,541 was allocated to fundraising expense and \$797,971 was allocated to specialized programs and services. Management based these allocations on an analysis of the content of the materials, reasons for distributing the materials and the audience to whom the materials were distributed.

**AMERICAN BROTHERHOOD FOR THE BLIND  
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND  
T/A BLIND CHILDREN AND ADULTS ACTION FUND OF AMERICA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022**

---

**NOTE 9 – RETIREMENT PLAN**

The Action Fund has a qualified 403(b) retirement plan for the benefit of all eligible employees. Eligible employees may make voluntary contributions to the plan not to exceed the Internal Revenue Service limits. The Action Fund did not make any contributions to the plan during the year. In addition, the Action Fund has a nonqualifying 457(b) retirement plan. The Action Fund's contribution to this plan for the year ended December 31, 2022 amounted to \$20,500.

**NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Action Fund's financial assets available to meet cash needs for general expenditures within one year of December 31, 2022 are as follows:

Cash and cash equivalents	\$ 1,705,483
Other receivables	13,339
Investments	29,748,858
Investment - Trust, net of liabilities	197,278
Other investments - life insurance	<u>1,755,839</u>
Total financial assets	33,420,797
Donor imposed restrictions	
Scholarship fund	(50,000)
Book fund	(50,000)
Assets held in trust	<u>(197,278)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 33,123,519</u>

As part of the Action Fund's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Action Fund invests cash in excess of daily requirements in short term investments. General expenditures are expenses the Action Fund expects to disburse for program and supporting services.