

**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, 2020**



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## 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

We have audited the accompanying financial statements of American Brotherhood for the Blind (a nonprofit organization), which comprise the statement of financial position as of December 31, 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.

### Auditors' 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 American Brotherhood for the Blind as of December 31, 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.

*Rosen, Sapperstein & Friedlander, LLC*

Rosen, Sapperstein & Friedlander, LLC  
Baltimore, Maryland  
March 18, 2021

**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, 2020**

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ASSETS

Cash and cash equivalents	\$ 1,550,547
Prepaid expenses	34,100
Other receivables	29,874
Investments	32,260,154
Investment - Trust	372,688
Other investments - life insurance	2,372,629
Property and equipment - net	<u>221,407</u>
 TOTAL ASSETS	 <u>\$ 36,841,399</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 60,136
Accrued annuity benefit	<u>104,831</u>

TOTAL LIABILITIES	<u>164,967</u>
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NET ASSETS

Without donor restrictions	36,308,491
With donor restrictions	<u>367,941</u>

TOTAL NET ASSETS	<u>36,676,432</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 36,841,399</u>
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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, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Public support			
Contributions	\$ 3,247,181	\$ 2,763	\$ 3,249,944
Donated services	1,229,399	-	1,229,399
Total public support	4,476,580	2,763	4,479,343
Net investment income (loss)	3,893,565	11,814	3,905,379
TOTAL REVENUES, GAINS AND OTHER SUPPORT	8,370,145	14,577	8,384,722
EXPENSES			
Program services			
Braille publications and programs	874,018	-	874,018
Tools for independence	118,891	-	118,891
Specialized programs and services	3,124,288	-	3,124,288
Total program services	4,117,197	-	4,117,197
Supporting services			
Management and general	117,262	-	117,262
Fundraising	783,934	-	783,934
Total supporting services	901,196	-	901,196
TOTAL EXPENSES	5,018,393	-	5,018,393
CHANGES IN NET ASSETS	3,351,752	14,577	3,366,329
NET ASSETS - BEGINNING OF YEAR	32,956,739	353,364	33,310,103
NET ASSETS - END OF YEAR	\$ 36,308,491	\$ 367,941	\$ 36,676,432

See Accompanying Notes to Financial Statements

**AMERICAN BROTHERHOOD FOR THE BLIND  
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STATEMENTS OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2020**

	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	\$ 307,349	\$ 12,294	\$ 909,756	\$ 1,229,399	\$ -	\$ -	\$ -	\$ 1,229,399
Salaries	20,324	3,387	281,153	304,864	20,324	13,550	33,874	338,738
Payroll related expenses	4,818	803	66,643	72,264	4,818	3,212	8,030	80,294
Total salaries and related expenses	332,491	16,484	1,257,552	1,606,527	25,142	16,762	41,904	1,648,431
Supplies	27,926	97,100	20,616	145,642	3,315	-	3,315	148,957
Postage and shipping	42,351	54	365,054	407,459	339	418,746	419,085	826,544
Printing and publications	365,091	4,572	755,678	1,125,341	2,328	348,407	350,735	1,476,076
Travel	-	-	4,191	4,191	-	-	-	4,191
Conferences and conventions	97	-	-	97	-	-	-	97
Professional fees	1,816	73	42,564	44,453	51,467	-	51,467	95,920
Telephone	374	93	106	573	31	19	50	623
Occupancy	3,612	433	9,968	14,013	433	-	433	14,446
Awards and grants	95,219	-	635,486	730,705	-	-	-	730,705
Information technology	1,871	75	5,537	7,483	-	-	-	7,483
Data processing	3,006	-	27,058	30,064	30,064	-	30,064	60,128
Other	-	-	-	-	4,109	-	4,109	4,109
Total expenses before depreciation	873,854	118,884	3,123,810	4,116,548	117,228	783,934	901,162	5,017,710
Depreciation	164	7	478	649	34	-	34	683
<b>TOTAL EXPENSES</b>	<b>\$ 874,018</b>	<b>\$ 118,891</b>	<b>\$ 3,124,288</b>	<b>\$ 4,117,197</b>	<b>\$ 117,262</b>	<b>\$ 783,934</b>	<b>\$ 901,196</b>	<b>\$ 5,018,393</b>

See Accompanying Notes to Financial Statements

**AMERICAN BROTHERHOOD FOR THE BLIND  
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STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2020**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Changes in net assets	\$ 3,366,329
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	683
Unrealized gain on investments	(2,216,986)
Realized gain on investments	(1,023,346)
Change in accrued annuity benefit	(2,763)
Decrease (increase) in operating assets:	
Prepaid expenses	66,293
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	<u>(17,357)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><b>172,853</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Cash paid for investments	(6,102,391)
Proceeds from sale of investments	4,771,832
Cash received on principal amount of notes receivable	<u>10,570</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u><b>(1,319,989)</b></u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,147,136)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u><b>2,697,683</b></u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u><b>\$ 1,550,547</b></u></u>

See Accompanying Notes to Financial Statements

**AMERICAN BROTHERHOOD FOR THE BLIND  
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T/A BLIND CHILDREN AND ADULTS ACTION FUND OF AMERICA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

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**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.

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

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

**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. 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.

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December 31, 2020**

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

**Revenue Recognition (Continued)**

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, 2020, 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 Receivables**

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.

**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, 2020. 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.

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

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

**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, 2020.

**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 \$372,688. 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.

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

**Accrued Annuity Benefit (Continued)**

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, 2020 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, 2020.

**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, 2020, 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 2017.

**Donated Services**

The Action Fund has adopted the Revenue Recognition for Not-for-Profit Entities topic of the FASB Accounting Standards Codification in the recognition of donated services. Donated services are recognized at fair value 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. 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.

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

**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.

**COVID-19 Pandemic**

On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting many national, regional and local governments to implement preventative or protective measures. The United States government declared a national emergency with respect to COVID-19. The potential impact and duration of COVID-19 could have repercussions across regional, national and global economies and financial markets. Many states and cities have reacted by instituting quarantines, restrictions on travel, “stay at home” rules and restrictions on the types of business that may continue to operate. Many non-essential businesses have been forced to close. The impact on the Company is still unknown.

**Subsequent Events**

Events that occurred subsequent to December 31, 2020 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.

**NOTE 2 – NOTES RECEIVABLES**

Notes receivable at December 31, 2020 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 mature at various dates through June 2025. The outstanding balance due the Action Fund at December 31, 2020 amounted to \$29,616. The balance is included in other receivables in the statement of financial position.

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**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 \$104,831 as of December 31, 2020. All provisions of the Trust Agreement remain unchanged.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment is summarized as follows as of December 31, 2020:

Braille library - collected works	\$ 214,045
Office furniture and equipment	24,066
Braille press equipment	71,198
Braille lending library	<u>149,270</u>
	458,579
Less: Accumulated depreciation	<u>(237,172)</u>
Property and equipment - net	<u>\$ 221,407</u>

Depreciation expense for the year ended December 31, 2020 amounted to \$683. Property and equipment includes a 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).

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.

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

**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:

*Annuities:* Valued at accumulated value, net of surrender charges.

*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.

*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.

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, 2020. 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.

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

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, 2020:

<u>Payor Class</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
<u>Assets:</u>				
Annuities	\$ -	\$ -	\$ 576,413	\$ 576,413
Corporate bonds	353,120	-	-	353,120
Common and preferred stocks	5,081,351	-	-	5,081,351
Mutual funds	22,389,070	-	-	22,389,070
Alternative investments	-	4,232,888	-	4,232,888
Investments subtotal	27,823,541	4,232,888	576,413	32,632,842
Other investments - life insurance	-	-	2,372,629	2,372,629
Assets at Fair Value	<u>\$ 27,823,541</u>	<u>\$ 4,232,888</u>	<u>\$ 2,949,042</u>	<u>\$ 35,005,471</u>
<u>Liabilities:</u>				
Accrued annuity benefits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,831</u>	<u>\$ 104,831</u>

There are private equities included in alternative investments above that have unfunded commitments in the amount of \$1,368,500 as of December 31, 2020. Included in the investments above are investments that are donor restricted in the amount of \$472,688 as of December 31, 2020.

The following table sets forth a summary of changes in the fair value of Action Fund's level 3 assets and liabilities during the year ended December 31, 2020:

	<u>Assets</u>	<u>Liabilities</u>
Balance - beginning of year	\$ 2,657,726	\$ 107,594
Accrued annuity benefit adjustment	-	(2,763)
Return on annuity investment	(3,852)	-
Increase in cash surrender value	295,168	-
Balance - end of year	<u>\$ 2,949,042</u>	<u>\$ 104,831</u>

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

The Action Fund's return on investments for the year ended December 31, 2020 consisted of the following components:

	Without donor restrictions	With donor restrictions	Total
Interest and dividends	\$ 915,622	\$ 7,998	\$ 923,620
Net realized gains	971,013	52,333	1,023,346
Net change in unrealized gains	2,157,511	(20,355)	2,137,156
Life insurance - net of premiums	79,830	-	79,830
Investment expense	<u>(230,411)</u>	<u>(28,162)</u>	<u>(258,573)</u>
Total return on investments	<u>\$ 3,893,565</u>	<u>\$ 11,814</u>	<u>\$ 3,905,379</u>

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

Net assets without donor restrictions at December 31, 2020 are as follows:

Investment in property and equipment	\$ 221,407
Board designated funds	290,000
Undesignated	<u>35,797,084</u>
Total net assets without donor restrictions	<u>\$ 36,308,491</u>

Board designated funds consist of financial assets designated specifically to board approved technology award that are expected to be expended prior to December 31, 2021.

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

Net assets with donor restrictions at December 31, 2020 are as follows:

Scholarship fund	\$ 50,000
Book fund	50,000
Assets held in trust	<u>267,941</u>
Total net assets with donor restrictions	<u>\$ 367,941</u>

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**NOTE 8 – ALLOCATION OF JOINT COSTS**

The Action Fund incurred joint costs of \$1,504,222 for information materials and activities that included fund raising appeals. Of those costs, \$767,153 was allocated to fundraising expense and \$737,069 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.

**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, 2020 amounted to \$19,500.

**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, 2020 are as follows:

Cash and cash equivalents	\$ 1,550,547
Other receivables	29,874
Investments	32,260,154
Investment - Trust, net of liabilities	267,941
Other investments - life insurance	<u>2,372,629</u>
Total financial assets	36,481,145
Donor imposed restrictions	
Scholarship fund	(50,000)
Book fund	(50,000)
Assets held in trust	<u>(267,941)</u>
Financial assets available to meet cash needs for general expenditures within one year (includes board designated funds)	36,113,204
Board designated funds	<u>(290,000)</u>
Financial assets available to meet cash needs for general expenditures within one year (excludes board designated funds)	<u>\$ 35,823,204</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.