

LIGHTHOUSE FOR THE BLIND AND  
VISUALLY IMPAIRED

SEPTEMBER 30, 2020

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INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

# **Lighthouse for the Blind and Visually Impaired**

## **Independent Auditors' Report and Financial Statements**

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A Century Strong

## **Independent Auditors' Report**

THE BOARD OF DIRECTORS  
LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED  
San Francisco, California

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of **LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED (the Organization)** which comprise the statement of financial position as of September 30, 2020, and the related consolidated statements of activities and change in net assets, and cash flows for the year then ended, and the related notes to the consolidated 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 consolidated financial position of Lighthouse for the Blind and Visually Impaired as of September 30, 2020, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Hood & Strong LLP*

San Francisco, California  
March 8, 2021

# Lighthouse for the Blind and Visually Impaired

## Consolidated Statement of Financial Position

September 30, 2020

### Assets

Cash and cash equivalents	\$	438,247
Receivables		976,092
Prepaid expenses and other assets		165,760
Inventory		661,251
Investments		129,169,077
Notes receivable		11,630,500
Investment in real estate		24,442,376
Property and equipment, net		61,493,234
<b>Total Assets</b>	<b>\$</b>	<b>228,976,537</b>

### Liabilities and Net Assets

Accounts payable and accrued expenses	\$	1,377,660
Accrued salaries and benefits		582,616
Deferred revenue		304,407
Line of credit		1,030,000
Interest rate swap		604,376
Loans payable		49,454,000
<b>Total liabilities</b>		<b>53,353,059</b>
<b>Net Assets:</b>		
Without donor restrictions:		
Undesignated		46,008,286
Board designated net assets		129,169,077
<b>Total net assets without donor restrictions</b>		<b>175,177,363</b>
<b>With donor restrictions</b>		<b>446,115</b>
<b>Total net assets</b>		<b>175,623,478</b>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>228,976,537</b>

See accompanying notes to financial statements.

# Lighthouse for the Blind and Visually Impaired

## Consolidated Statement of Activities and Change in Net Assets

*Year Ended September 30, 2020*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating:</b>			
Revenue and support:			
Government grants	\$ 1,497,692		\$ 1,497,692
Sales	4,958,504		4,958,504
Contributions and gifts	1,118,780	\$ 365,757	1,484,537
Program service fees	1,085,849		1,085,849
Interest and dividend income from investments	2,956,924		2,956,924
Other	385,609		385,609
Net assets released from restrictions	983,435	(983,435)	-
<b>Total revenue and support</b>	<b>12,986,793</b>	<b>(617,678)</b>	<b>12,369,115</b>
Expenses:			
Program services	14,064,280		14,064,280
Management and general	2,992,180		2,992,180
Development	1,276,581		1,276,581
<b>Total expenses</b>	<b>18,333,041</b>	<b>-</b>	<b>18,333,041</b>
<b>Change in net assets from operations</b>	<b>(5,346,248)</b>	<b>(617,678)</b>	<b>(5,963,926)</b>
<b>Non-Operating:</b>			
Insurance proceeds	593,677		593,677
Realized and unrealized gains from investments	4,677,398		4,677,398
Change in the value of interest rate swap	(604,376)		(604,376)
<b>Change in Net Assets</b>	<b>(679,549)</b>	<b>(617,678)</b>	<b>(1,297,227)</b>
<b>Net Assets, beginning of the year (as restated Note 13)</b>	<b>175,856,912</b>	<b>1,063,793</b>	<b>176,920,705</b>
<b>Net Assets, end of the year</b>	<b>\$ 175,177,363</b>	<b>\$ 446,115</b>	<b>\$ 175,623,478</b>

See accompanying notes to financial statements.

# Lighthouse for the Blind and Visually Impaired

## Consolidated Statement of Functional Expenses

*Year Ended September 30, 2020*

	Program Services				Supporting Services		
	Community and Information	Rehabilitation Services	LightHouse Enterprises	Total	Management and General	Development	Total
Personnel	\$ 2,304,827	\$ 2,899,638	\$ 1,457,787	\$ 6,662,252	\$ 1,652,692	\$ 684,113	\$ 8,999,057
Program costs	186,493	425,430	19,962	631,885	175,668	30,688	838,241
Cost of goods sold			2,281,184	2,281,184			2,281,184
Occupancy	199,158	215,770	73,229	488,157	14,284	5,147	507,588
Depreciation and amortization	738,790	856,118	341,461	1,936,369	329,603	185,086	2,451,058
Outside services	278,667	266,878	82,721	628,266	372,784	128,448	1,129,498
Postage and printing	1,122	976	5,519	7,617	2,669	75,995	86,281
Office supplies and equipment	93,367	56,230	102,145	251,742	76,052	15,569	343,363
Staff training, travel and conference	19,287	21,164	11,051	51,502	28,828	5,276	85,606
Insurance	54,765	78,862	41,621	175,248	32,859	10,953	219,060
Telephone	17,987	28,861	22,231	69,079	96,739	2,751	168,569
Bad debt, bank fee, interest and taxes	297,567	412,664	129,791	840,022	189,936	95,897	1,125,855
Shipping and delivery	1,171		39,786	40,957			40,957
Program marketing and public relations						36,658	36,658
Board expenses					20,066		20,066
<b>Total expenses</b>	<b>\$ 4,193,201</b>	<b>\$ 5,262,591</b>	<b>\$ 4,608,488</b>	<b>\$ 14,064,280</b>	<b>\$ 2,992,180</b>	<b>\$ 1,276,581</b>	<b>\$ 18,333,041</b>

See accompanying notes to financial statements.

# Lighthouse for the Blind and Visually Impaired

## Consolidated Statement of Cash Flows

*Year Ended September 30, 2020*

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**Cash Flows from Operating Activities:**

Change in net assets	\$ (1,297,227)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Change in the value of interest rate swap	604,376
Net unrealized gain on investments	(3,398,748)
Net realized gain on investments	(1,278,651)
Depreciation and amortization	2,451,058
Changes in operating assets and liabilities:	
Receivables	368,047
Prepaid expenses and other assets	(19,623)
Inventory	(256,626)
Accounts payable and accrued expenses	728,964
Accrued salaries and benefits	61,747
Deferred revenue	(89,544)

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Net cash used by operating activities	(2,126,227)
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**Cash Flows from Investing Activities:**

Proceeds from the sale or maturity of investments	50,234,577
Purchase of investments	(37,415,294)
Distributions from investment in real estate	1,358,684
Purchase of property and equipment	(18,861,855)

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Net cash used by investing activities	(4,683,888)
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**Cash Flows from Financing Activities:**

Payment on loans payable	(27,243,500)
Proceeds from new loan	32,700,000
Proceeds from line of credit	6,630,000
Payments on line of credit	(5,600,000)

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Net cash provided by financing activities	6,486,500
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<b>Net Change in Cash and Cash Equivalents</b>	(323,615)
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<b>Cash and Cash Equivalents, beginning of the year</b>	761,862
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<b>Cash and Cash Equivalents, end of the year</b>	\$ 438,247
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**Supplemental Information**

Interest paid	\$ 995,947
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See accompanying notes to financial statements.



# Lighthouse for the Blind and Visually Impaired

## Notes to Consolidated Financial Statements

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### Note 1 - Nature of Lighthouse and Summary of Significant Accounting Policies

LightHouse for the Blind and Visually Impaired (Lighthouse) a California nonprofit public benefit corporation founded in 1902, provides a variety of programs to over 3,000 participants who are blind or visually impaired at six locations in San Francisco and throughout six locations throughout Northern California.

LightHouse is the sole owner of The Lighthouse Member LLC (LLC), and 1155 Market Street QALICB, (1155 Market) both California not-for-profit corporations. These entities own and operate two separate parcels of real estate. 1155 Market meets the criteria for consolidation for purposes of financial reporting.

Lighthouse receives support and revenue from a variety of sources.

Following is a description of the programs and services of Lighthouse:

#### *Community and Information Services*

- Community Services offers cutting edge social, health promotion and educational classes for the blind. Some of the opportunities include, yoga, dance, a book club, and many exciting programs. Cultural, artistic and fitness programs bring people together for vital social engagement and to build a community of low vision and blind people.
- Blind teens find a place where blindness is normal at LightHouse Youth Programs. Activities include adventures in the great outdoors, volunteer service and mentorship opportunities.
- A Counseling Services Program for the blind and low vision provides one-on-one counseling, peer counseling and group therapy sessions.
- The overarching mission of the Media and Accessible Design Laboratory (MAD Lab) is to make visual information accessible to people who are blind and visually impaired. The transcription team takes original copy and translates it into accessible formats, including braille, large print, and audio. An experienced team of braille certified tactile image and map designers helps corporate and governmental entities, educational institutions, and non-profit Lighthouses improve the accessibility and inclusiveness of their venues and services as well as comply with ADA signage standards and state building codes.
- Since 2011 Lighthouse Labs has been the premiere place for conversation about the future of accessibility. Makers, students, and high-tech corporations come to meet with blind technologists, engineers, and savvy consumers to develop and critique new technologies.

# Lighthouse for the Blind and Visually Impaired

## Notes to Consolidated Financial Statements

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### *Vision Rehabilitation Services*

- Blindness Skills provides training to people who are new to blindness or low vision to help them learn to use a white cane for mobility, read braille, utilize accessible technology and acquire adaptive methods for cooking and daily living.
- The LightHouse's Employment Immersion Program is our award-winning job training program specifically designed for blind and visually impaired jobseekers in the Bay Area. An impressive 40% of graduates have found jobs, starting them on a path of self-reliance and life fulfillment.
- Enchanted Hills Camp for the Blind in Napa is one of the west's only camps for blind, visually impaired, deaf-blind and multi-disabled youth, adults and seniors. Enchanted Hills Camp is a place for blind campers to explore and create, gain courage, try new things and make lifelong friends.
- Deaf-Blind Services include a communications equipment and training program that is open to deaf-blind individuals throughout the state. We also host a special Enchanted Hills Camp session specifically for the deaf-blind.

### *LightHouse Enterprises*

- LightHouse operates Adaptations, a brick-and-mortar store selling blind adaptive technologies and tools, such as white canes, guide dog supplies, magnifiers, talking watches and other items.
- LightHouse Industries provides direct employment at the Sirkin Lighthouse, our light manufacturing plant in Alameda. 75% of all direct labor is performed by blind or visually impaired employees.

#### a. Basis of Presentation and Consolidation

The consolidated financial statements include the financial statements of the Lighthouse and 1155 Market (known collectively as The Lighthouse). All material intercompany accounts and transactions have been eliminated.

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), applicable to not-for-profit organizations. The Lighthouse presents information regarding its net assets and activities according to two classes of net assets.

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations. In addition, the Board has designated net assets of \$129,054,721 that are not restricted by donors but set aside by the Board for specific uses, including subsidizing operating deficits, capital improvements and program enhancements.

# Lighthouse for the Blind and Visually Impaired

## Notes to Consolidated Financial Statements

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*Net Assets With Donor Restrictions* – Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that the principal be invested in perpetuity. The Lighthouse has no restrictions that are perpetual in nature.

b. Recognition of Revenue

Contributions are recognized at their fair value when the donor makes an unconditional promise to give to Lighthouse. Donor-restricted contributions are reported as increases in donor restricted net assets depending on the nature of the restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using market discount rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Lighthouse uses the allowance method to determine uncollectible receivables. The allowance is based upon prior years' experience and management's analysis of specific promises made. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

*Government grants*

A portion of Lighthouse's revenue is derived from cost-reimbursable federal and state contracts, which are conditioned upon certain performance requirements and/ or incurring qualifying expenses. Amounts received are recognized as revenue when Lighthouse has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the Statement of Financial Position.

*Sales*

Sales and program service fees are recognized as revenue at the time that the sale is completed.

*Program service fees*

Program service fees are recognized at the time that the related service is provided to a client.

# Lighthouse for the Blind and Visually Impaired

## Notes to Consolidated Financial Statements

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c. Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

e. Receivables

Receivables are stated at the amount the Lighthouse's management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to bad debt expense and a credit to a valuation of its assessment of the current status of individual accounts. Management believes the entire balance of receivables is collectible, and therefore, no allowance was recorded as of September 30, 2020.

f. Investments

Investments in money market funds and mutual funds are carried at fair value based upon quoted market prices. Investments in privately held entities are carried at cost, which approximates fair value.

Gains and losses that result from market fluctuations are recognized in the Statement of Activities and Change in Net Assets in the period such fluctuations occur. Dividend and interest income are accrued when earned.

Investments in real estate are carried at cost.

g. Inventory

Inventory items are held for sale or resale and are stated at the lower of cost or market value and determined on a first-in, first-out basis.

# Lighthouse for the Blind and Visually Impaired

## Notes to Consolidated Financial Statements

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### h. Property and Equipment

The Lighthouse records property, equipment, and improvements in excess of \$5,000 at historical cost or, if donated, at fair market value at the date of donation. Depreciation is determined on the straight line method over the estimated useful lives of the assets ranging from five to forty years.

### i. Functional Allocation of Expenses

The Lighthouse allocated its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly. Indirect costs are allocated among program and support services on a basis proportionate to the direct staff time or other method which best measures the relative degree of benefit.

### j. Income Taxes

The Lighthouse is a tax-exempt organization under Internal Revenue Service Code (IRC) §501(c)(3) and the applicable California tax code.

Management evaluated the Lighthouse's tax positions and concluded that the Lighthouse had maintained its tax-exempt status and had not taken uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

### k. Estimates

The preparation of financial statements in conformity with generally accepted accounting principle requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### l. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Lighthouse classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Lighthouse's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

# Lighthouse for the Blind and Visually Impaired

## Notes to Consolidated Financial Statements

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m. New Accounting Pronouncement Recent Accounting Pronouncements

*Adopted*

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. The ASU was adopted as of October 1, 2019. The impact of adopting this guidance is reflected in the financial statements and did not have a significant impact on the financial statement disclosures.

*Upcoming*

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for annual reporting periods beginning after December 15, 2019. The Lighthouse is currently assessing the impact the adoption of this ASU will have on its financial statements.

n. Subsequent Events

The Lighthouse evaluated subsequent events for recognition and disclosure through March 8, 2021, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred, other than those mentioned in Note 6, since September 30, 2020 that requires recognition or disclosure in such financial statements.

### Note 2 - Receivables

Receivables consist of the following at June 30, 2020:

Government grants	\$	344,563
LightHouse Industries		453,674
Other		177,855
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Total	\$	976,092
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# Lighthouse for the Blind and Visually Impaired

## Notes to Consolidated Financial Statements

### Note 3 - Investments

The following are the major categories of investments measured at fair value on a recurring basis during the years ended September 30, 2020:

	Level 1	Level 2	Level 3	<u>Total</u>
Mutual funds - Equity funds		\$ 94,221,464		\$ 94,221,464
Mutual funds - Bond funds		32,179,859		32,179,859
Corporate Bonds	\$ 2,288,482			2,288,482
Money Market Funds	364,916			364,916
Equity Investment in Accessible Inc.			\$ 114,356	114,356
<u>Total</u>	<u>\$ 2,653,398</u>	<u>\$ 126,401,323</u>	<u>\$ 114,356</u>	<u>\$ 129,169,077</u>

### *Investment Income*

The following summarizes the investment income during the year ended September 30, 2020:

Interest and dividend income	\$ 3,001,344
Realized gain on investments	1,278,651
Unrealized gain on investments	3,398,748
Investment Fees	(44,420)
<u>Total investment income, net</u>	<u>\$ 7,634,323</u>

Investments serve as security for loans payable as described in Note 7.

### Note 4 - Investment in Real Estate

The Lighthouse Building LLC (the Company) is a single member LLC owned by Blind Holdings LLC. Blind Holdings LLC is owned jointly by the Lighthouse (90% owner via a single member LLC named "The Lighthouse Member LLC" (the LLC) and 1155 Market LLC (10% owner). The Company owns the first 8 floors, basement, roof and land, known as Parcel A of an eleven-story building located at 1155 Market Street, San Francisco California. Floors nine through eleven are owned by 1155 Market Street QALICB. The investment in real estate of \$24,442,376 recorded in the accompanying Statement of Financial Position represents the 90% interest in the Company equity as of September 30, 2020 per the Company's audited financial statements. The real estate is currently leased to the City and County of San Francisco through January 31, 2023 with two extension options for five years each.

# Lighthouse for the Blind and Visually Impaired

## Notes to Consolidated Financial Statements

### Note 5 - Note Receivable

On December 9, 2015, the Lighthouse entered into a loan agreement with USBCDC Investment Fund 105, LLC (“Borrower”) in the amount of \$11,630,500. The loan was entered into to obtain a New Market Tax Credit (“NMTC”) under Section 45D of the Internal Revenue Code. The Borrower used the proceeds to refinance a portion of the \$15,000,000 equity investment in the ESIC New Markets Partners LXII Limited Partnership, (the “Enterprise Community Development Entity or Enterprise CDE”) and fund a portion of the \$2,500,000 equity investment in USBCDE Sub-CDE 139, LLC, (the “USB CDE Investment”), return a portion of the capital contributions previously made by U.S. Bancorp Community Development Corporation in the amount of \$4,105,500, and pay various fees in connection with the NMTC transaction. The outstanding principal balance of the loan funds will accrue interest at a rate of 1.465827% per annum, payable quarterly. Principal payments will not become due until March 15, 2023, after the NMTC compliance period has ended, at which time the Borrower shall make a one-time payment to the Lighthouse in the amount of distributions by the Community Development Entities. The loan matures on December 9, 2045. The balance of the loan as of September 30, 2020 was \$11,630,500. The Lighthouse also earned interest from the leverage loan during the period in the amount of \$170,536 which is included in interest and dividend income in 2020.

### Note 6 - Property and Equipment

Property and Equipment consisted of the following at September 30, 2020:

Land	\$ 4,968,054
Buildings	59,748,817
Leasehold improvements	341,951
Furniture and equipment	3,870,016
Construction in progress	4,688,992
Intangibles	216,000
	<hr/>
	73,833,830
Less: accumulated depreciation	(12,340,596)
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Total	\$ 61,493,234

Construction in progress relates to costs incurred for the rehabilitation of Enchanted Hills Camp and improvements to the Lighthouse Industries facility. Total costs of these two projects approximate \$37,500,000 and will be funded through a variety of sources, including contributions, bank financing and the proceeds from insurance and legal settlements.

Included above is land and buildings held for sale with a net book value of \$4,163,250 as of September 30, 2020. The sale is expected to be completed in April 2021 and the net proceeds are estimated to be \$8,550,000.



# Lighthouse for the Blind and Visually Impaired

## Notes to Consolidated Financial Statements

### Note 7 - Debt

The New Market Tax Credit (“NMTC”) was enacted as part of the Community Renewal Tax Relief Act of 2000 and was designed to stimulate investment in new private capital, which would in turn facilitate economic and community development in distressed communities. In connection with the NMTC transaction, on December 2, 2015, the Lighthouse entered into a loan agreement for a term loan in the amount of \$36,000,000. On April 24, 2020 the loan was refinanced and \$32,700,000 was borrowed, the proceeds of which were used to pay off the 2015 debt. The original 2015 loan accrued interest at a rate of one-month LIBOR plus 1.83% and was secured by investments held in U.S. Bank, as mentioned in Note 3. The refinanced loan bears interest at a fixed rate of 1.637%. Principal and interest payments are due monthly, and the unpaid principal and unpaid accrued interest is due upon maturity of the loan in April 2030. On September 30, 2020, the unpaid principal balance was \$32,040,000. Interest expense on the loan was \$819,511 for the year ended September 30, 2020.

In connection with the NMTC transaction, on December 2, 2015, the Lighthouse entered into two loan agreements for \$14,550,000 and \$2,500,000, respectively. Both loans are unsecured and the unpaid principal balances bear interest at the rate of 1.00% per annum. Interest only payments are due quarterly commencing on March 1, 2016 through December 1, 2022. Commencing March 1, 2023, principal and interest payments in the amounts of \$177,233 and \$30,452, respectively, are due quarterly until both notes mature on December 2, 2045. As of September 30, 2020, the combined unpaid principal balance on the notes was \$17,050,000 and combined interest payments of \$170,500 were made during the year then ended.

Both loans contain certain covenants that Lighthouse was in compliance with at September 30, 2020.

Year ending September 30,	US Bank	NMTC	Total
2021	\$ 1,940,000		\$ 1,940,000
2022	940,000		940,000
2023	970,000	\$ 413,544	1,383,544
2024	1,000,000	708,932	1,708,932
2025	1,030,000	708,932	1,738,932
Thereafter	26,524,000	15,218,592	41,742,592
Total	32,404,000	17,050,000	49,454,000
Less: Current Portion	(1,940,000)		(1,940,000)
Non - Current Portion	\$ 30,464,000	\$ 17,050,000	\$ 47,514,000

# Lighthouse for the Blind and Visually Impaired

## Notes to Consolidated Financial Statements

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### *Line of credit*

The Lighthouse has a line of credit with a bank of \$10,000,000 bearing interest at a rate of one-month LIBOR plus 1.50%. The line of credit expires on November 24, 2021. The balance outstanding at September 30, 2020 is \$1,030,000.

### *Interest rate swap*

In order to minimize the risk of interest rate movement on the loan the Lighthouse entered into a swap agreement in conjunction with the refinancing of the 2015 loan during the year ended September 30, 2020, whereby it exchanged a variable rate of interest for a fixed rate of 1.637%.

The change in the value of the interest rate swap agreement is included in the accompanying Statement of Activities and Changes in Net Assets. As of September 30, 2020, the valuation of the interest swap resulted in a net unrealized loss in the amount of \$604,376. Domestic and international capital markets have experienced significant volatility. As a result, fluctuations in the fair value of interest rate swap may have occurred subsequent to September 30, 2020.

### **Note 8 - Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted by time and/or purpose and consisted of the following at September 30, 2020:

Enchanted Hills Camp	\$ 371,185
Rehabilitation services	24,155
Other	50,775
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Total	\$ 446,115

For the years ended September 30, 2020, net assets released from restriction from various donor sources consisted of the following:

Enchanted Hills Camp	\$ 938,382
Rehabilitation services	54
Other	44,999
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Total	\$ 983,435

# Lighthouse for the Blind and Visually Impaired

## Notes to Consolidated Financial Statements

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### Note 9 - Operating Leases and Service Agreements

Future minimum payments under these noncancelable lease and service agreements are as follows:

For the Years Ending  
September 30,

2021	\$ 180,510
<b>Total</b>	<b>\$ 180,510</b>

Total rent expense was \$222,392 for the year ended September 30, 2020.

### Note 10 - Retirement Plans

On November 7, 2019, the Lighthouse Board of Directors voted to amend its 401(k)-retirement plan to provide Safe-Harbor provisions effective January 1, 2020. Under the Safe-Harbor provisions, participating employees became fully vested in company contributions and the company match percentage was reduced from 7% in effect since 2016 to the 6% maximum allowable under Safe-Harbor. As part of the amendment, the Board also adopted a 3-month waiting period before new employees are eligible to enroll in the Plan.

During the years ended September 30, 2020, the Board approved a contribution to the plan which totaled \$300,104.

LightHouse also adopted a 457(b)-plan effective March 1, 2011. The plan is funded by employee contributions, and the Lighthouse made no contributions toward this plan during the year ended September 30, 2020.

### Note 11 - Contingencies

The Lighthouse receives grants and contracts from various County, State, and Federal agencies. These grants and contracts are subject to inspect and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be estimated and, accordingly, the Lighthouse has no provisions for the possible disallowance of program costs. It is management's opinion that all grants and contract conditions have been met.

# Lighthouse for the Blind and Visually Impaired

## Notes to Consolidated Financial Statements

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### Note 12 - Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consisted of the following at September 30, 2020:

Total financial assets	
Cash and cash equivalents	\$ 438,247
Receivables	976,092
Investments	129,054,721
	<hr/>
	130,469,060
Less:	
Board designated net assets, net of approved 2021 spending	(124,054,721)
Net assets with restrictions	(446,115)
	<hr/>
Financial assets available to meet general expenditures needs for general expenditures within one year	\$ 5,968,184

The Lighthouse board of directors approves an annual amount to be utilized from the investment portfolio to subsidize costs not covered by government contracts, contributions and program service fees. Board designated net assets is reported net of the approved subsidy for 2021.

### Note 13 - Restatement

Opening net assets were restated to properly reflect the consolidated net assets of the Lighthouse as of September 30, 2019:

Balance as previously reported	\$ 156,577,943
Net assets of 1155 Market Street QALICB	20,342,762
	<hr/>
Adjusted net assets as of September 30, 2019	\$ 176,920,705

### Note 14 - Effects of Ongoing Pandemic

#### *Pandemic and Market Volatility:*

Many federal, state and local governmental agencies have declared a state of emergency and issued a variety of recommendations impacting travel, group gatherings, etc. The Lighthouse has successfully implemented remote services for almost all existing programs.

In addition, financial markets volatility has significantly increased with a general decrease in the value of major market equity indices. A decline in market valuations may negatively impact the Lighthouse's financial investments and investment in real estate and the value of contributed financial assets may decrease.