IN-SIGHT

* * * * *

Financial Statements

December 31, 2016

Mullen Scorpio Cerilli

Certified Public Accountants
Business Consultants

Mullen Scorpio Cerilli

IN-SIGHT

Table of Contents

December 31, 2016

Mullen Scorpio Cerilli

Certified Public Accountants
Business Consultants

67 Cedar Street, Suite 106
Providence, Rhode Island 02903
401-751-3860
401-751-3987 Fax
www.mullenscorpiocerilli.com

To the Board of Trustees of
IN-SIGHT

Independent Auditor's Report

We have audited the accompanying financial statements of IN-SIGHT (a Rhode Island nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

IN-SIGHT

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IN-SIGHT as of December 31, 2016, 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.

Report on Summarized Comparative Information

We have previously audited the IN-SIGHT's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 4, 2016. In our opinion, the summarized comparative information herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which is has been derived.

Mullen Scorpio Cerilli

May 3, 2017
Providence, Rhode Island

IN-SIGHT

Statement of Financial Position

December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	$ 168,080	$ 216,599
Accounts receivable	932	9,344
Inventory	19,945	16,684
Prepaid expenses	6,140	10,004
Total current assets	195,097	252,631
Net property and equipment	1,205,542	1,225,968
Noncurrent assets:		
Investments	5,520,107	5,468,074
Investments held in perpetual trust	2,338,035	2,306,263
Total noncurrent assets	7,858,142	7,774,337
Total assets	$ 9,258,781	$ 9,252,936
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 46,432	$ 47,524
Deferred revenue	17,714	9,031
Accrued payroll and taxes	7,788	7,220
Total current liabilities	71,934	63,775
Net assets:		
Unrestricted net assets:		
Available for operations	19,362	98,335
Invested in property and equipment	1,205,542	1,225,968
Board designated for investments	5,459,386	5,404,387
Total unrestricted net assets	6,684,290	6,728,690
Temporarily restricted net assets	96,522	86,208
Permanently restricted net assets	2,406,035	2,374,263
Total net assets	9,186,847	9,189,161
Total liabilities and net assets	$ 9,258,781	$ 9,252,936

See accompanying notes to the financial statements.

IN-SIGHT

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenue:					
Grant income	$ 62,893	$ 123,422	$ -	$ 186,315	$ 197,779
Workshop contract income	25,334	-	-	25,334	25,205
Trust fund income	90,559	-	-	90,559	95,194
Contributions	56,250		-	56,250	62,550
Rental income	167,635	-	-	167,635	106,607
Interest and dividend income	98,923	-	-	98,923	103,536
Fee for service income	108,707	-	-	108,707	118,224
In-kind donation	-	-	-	-	2,870
Other income	2,817	-	-	2,817	-
Total support and revenue	613,118	123,422	-	736,540	711,965
Reclassification -net assets released from restrictions	113,108	(113,108)	-	-	-
Total support, revenue and reclassifications	726,226	10,314	-	736,540	711,965
Expenses:					
Rehabilitation	293,340	-	-	293,340	305,089
Low vision clinic	114,628	-	-	114,628	107,141
Radio program	122,759	-	-	122,759	113,085
Workshop	112,114	-	-	112,114	114,638
Youth program	37,871	-	-	37,871	34,287
Rental expenses	96,070	-	-	96,070	76,657
General and administrative	117,531	-	-	117,531	127,738
Development	26,425	-	-	26,425	37,676
Total expenses	920,738	-	-	920,738	916,311
Income (loss) from operations	(194,512)	10,314	-	(184,198)	(204,346)
Non-operating income (expense):					
Bequest income - designated investment	33,145	-	-	33,145	41,727
Net realized and unrealized gains (losses) on investments	116,967	-	-	116,967	33,907
Gains (losses) on beneficial interest in perpetual trust	-	-	31,772	31,772	(139,338)
Total nonoperating income	150,112	-	31,772	181,884	(63,704)
Change in net assets	(44,400)	10,314	31,772	(2,314)	(268,050)
Net assets, beginning of year	6,728,690	86,208	2,374,263	9,189,161	9,457,211
Net assets, end of year	$ 6,684,290	$ 96,522	$ 2,406,035	$ 9,186,847	$ 9,189,161

See accompanying notes to the financial statements.

IN-SIGHT

Statement of Functional Expenses

For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	2016									2015
	Rehabilitation	Low Vision Clinic	Radio Program	Workshop	Youth Program	Rental Expenses	General and Administrative	Development	Total Expenses	Total Expenses
Salaries and related expenses:										
Salaries	$ 177,436	$ 61,438	$ 58,827	$ 84,961	$ 6,350	$ -	$ 40,555	$ 11,715	$ 441,282	$ 438,839
Fringe benefits	11,053	587	9,977	1,553	-	-	8,088	1,540	32,798	31,375
Payroll taxes	16,502	5,664	5,476	7,888	594	-	6,608	1,089	43,821	43,764
Total salaries and related expenses	204,991	67,689	74,280	94,402	6,944	-	55,251	14,344	517,901	513,978
Administrative and other expenses:										
Supplies and materials	9,348	17,169	1,231	7,885	11,175	-	-	-	46,808	50,116
Communications	2,329	861	10,858	304	152	-	506	253	15,263	14,902
Office expense	3,942	1,311	1,249	434	277	-	1,369	362	8,944	9,351
Computers and software	5,268	1,521	2,311	588	268	-	1,053	447	11,456	9,875
Postage and freight	792	352	357	196	371	1,215	250	745	4,278	3,777
Professional fees	4,621	1,708	351	603	301	4,048	2,454	502	14,588	10,431
Bookkeeping	3,725	1,377	1,053	486	243	-	810	405	8,099	8,867
Consultants	3,552	4,023	567	262	11,811	-	463	218	20,896	28,753
Commissions	-	-	-	-	-	15,168	-	-	15,168	-
Utilities	7,053	2,484	1,958	940	470	1,861	1,553	776	17,095	18,219
Repairs and maintenance	11,357	3,620	3,214	1,741	735	14,835	2,527	1,214	39,243	48,800
Insurance	5,244	1,938	4,987	684	342	755	276	570	14,796	18,176
Property taxes	-	-	7,935	-	-	23,806	-	-	31,741	33,380
Transportation expense	14,005	473	8	384	55	-	25	15	14,965	5,869
Dues, licenses and fees	826	242	685	96	43	-	143	165	2,200	1,069
Promotional materials	2,327	823	2,792	402	570	-	524	327	7,765	13,131
Fundraising expenses	2,420	886	678	313	156	-	521	2,881	7,855	5,796
Conferences and education	819	-	180	-	-	-	573	174	1,746	2,437
Investment expenses	-	-	-	-	-	-	40,675	-	40,675	41,772
Interest expense	-	-	-	-	-	-	-	-	-	542
Payroll service fees	990	366	280	129	65	-	215	108	2,153	2,447
Bank charges and miscellaneous	-	-	-	319	-	-	3,477	-	3,796	3,058
Total administrative and other expenses	78,618	39,154	40,694	15,766	27,034	61,688	57,414	9,162	329,530	330,768
Depreciation	9,731	7,785	7,785	1,946	3,893	34,382	4,866	2,919	73,307	71,565
Total expenses	$ 293,340	$ 114,628	$ 122,759	$ 112,114	$ 37,871	$ 96,070	$ 117,531	$ 26,425	$ 920,738	$ 916,311

See accompanying notes to the financial statements.

IN-SIGHT

Statement of Cash Flows

For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (2,314)	$ (268,050)
Adjustments to reconcile total changes in net assets to net cash provided (used) by operating activities:		
Depreciation	73,307	71,565
Realized (gains) on investments	(84,648)	(170,586)
Unrealized (gains) losses on investments	(32,319)	136,679
Unrealized (gains) losses on beneficial interest in perpetual trusts	(31,772)	139,338
Changes in current assets and liabilities:		
Accounts receivable	8,412	86,748
Inventory	(3,261)	(869)
Prepaid expenses	3,864	(669)
Accounts payable and accrued expenses	(1,092)	14
Deferred revenue	8,683	210
Accrued payroll and taxes	568	(16,771)
Net cash provided (used) by operating activities	(60,572)	(22,391)
Cash flows from investing activities:		
Acquisition of property and equipment	(52,881)	(73,230)
Proceeds from sale of investments	1,176,713	801,500
Purchase of investments	(1,111,779)	(680,472)
Net cash provided (used) by investing activities	12,053	47,798
Cash flows from financing activities:		
Borrowings on line of credit	-	-
Payments on line of credit	-	(100,000)
Net cash provided by financing activities	-	(100,000)
Net increase in cash and cash equivalents	(48,519)	(74,593)
Cash and cash equivalents, beginning of year	216,599	291,192
Cash and cash equivalents, end of year	$ 168,080	$ 216,599
Interest paid	$ -	$ 542
Income taxes paid	$ -	$ -

See accompanying notes to the financial statements.

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

IN-SIGHT (the Organization) is a not-for-profit corporation located in Warwick, RI, organized in 1925 under the laws of the State of Rhode Island. Its mission is to inspire confidence, build skills and empower people who are blind and visually impaired to become fully integrated, equally valued members of society by providing diverse services that produce opportunities and choices. The Organization provides opportunities for education, vocational and rehabilitative training, work in the arts, industries and business, and leisure time activities which are promoted on local, state and national levels. The Organization also evaluates low vision patients for the purpose of dispensing aids and appliances appropriate for their needs. The majority of revenue for the Organization consists of workshop contracts, contributions and grants.

Basis of Financial Reporting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting.

The net assets of the Organization are classified as follows:

- Unrestricted net assets consist of unrestricted amounts that are available for use in accomplishing the mission of the Organization.
- Temporarily restricted net assets consist of those amounts, which are donor restricted for a specific purpose. When a donor restriction expires, either by the passage of a stipulated time restriction or by the accomplishment of a specific purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and as net assets released from restrictions.
- Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity. Investment income may be either an unrestricted or temporarily restricted resource when earned, determined according to the gift instrument and relevant State law.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with maturities of three months or less, except for those amounts contained in the long-term investment portfolio.

Note 1 continued on the next page.

Note 1 - Summary of Significant Accounting Policies

Accounts Receivable

The Organization accounts for receivables deemed to be uncollectible using the direct write-off method, which is not materially different from the allowance method. When an account is determined to be uncollectible, it is directly deducted from accounts receivable and charged to bad debt expense.

Inventory

Inventory is stated at the lower of cost or market, determined by the first-in, first-out (FIFO) method, or market. Inventory consists of raw materials, work in progress, finished goods and retail merchandise.

Property and equipment

Acquisitions of land, building, furniture and office and program equipment of $1,000 or greater in amount have been capitalized as fixed assets at cost. These assets are depreciated using the straight-line method of depreciation over estimated useful lives between five to forty years.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the asset is placed in service, at which time the Organization reclassifies temporarily restricted net assets to unrestricted net assets.

Investments

Investments are carried at fair value. The Board of Directors has the responsibility for investment activity for the Organization and maintains separate portfolios for unrestricted assets (including board-designated assets) and permanently restricted assets.

The Organization has developed a spending policy that allows five percent of the twelve quarter moving average market value of both the restricted and unrestricted accounts to be transferred for operations on a monthly basis.

Revenue Recognition

Unrestricted contributions received for the Organization programs are recognized as income when received. All donor-restricted support is reported as an increase in temporarily restricted net assets. When the restriction expires, the restricted net assets are reclassified to unrestricted net assets. Temporarily restricted donations received and expended in the same year are reported as unrestricted net assets.

Note 1 continued on the next page.

Note 1 - Summary of Significant Accounting Policies

Contributed Services

Contributed services are reflected in the accompanying statements at their estimated fair values at the date of receipt to the extent that they create or enhance non-financial assets or require specialized skills which if not provided by donation, would have to be purchased by the Organization. The contributed services have been reported in the accompanying financial statements as revenue with an offsetting expense.

Board Designated Funds

The Board of Directors of the Organization has designated certain portions of unrestricted net assets for specific purposes. The Organization currently has a designated fund that can be used for operations when approved by the Board of Directors.

Designated – Investment Fund is the fair market value of the assets in the unrestricted investment account as of the financial statement date. Board designated investment funds were $5,459,386 and $5,404,387 at December 31, 2016 and 2015, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, management has allocated certain costs among various programs and supporting services benefited. Personnel and other costs have been allocated based upon time devoted to various programs and functions.

Income Taxes

The Organization is exempt from federal income taxes as a charitable organization under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation.

The Organization evaluates its uncertain tax positions using guidance for contingencies as contained in US generally accepted accounting principles. The Organization was not aware of any uncertain tax positions that were not provided for in the accompanying financial statements.

The Organization annually files Internal Revenue Service Form 990 – *Return of Organization Exempt from Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. The tax return is subject to review by the taxing authorities generally for three years after filing. The Organization currently has no tax examinations in progress.

Estimates and Assumptions

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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Note 2 - Property and Equipment

The Organization's property and equipment at December 31, 2016 and 2015 consisted of the following:

	2016	2015
Building and improvements	$ 2,308,851	$ 2,258,610
Land and land improvements	116,625	116,625
Equipment and furniture	373,150	370,506
Total property and equipment	2,798,626	2,745,741
Accumulated depreciation	(1,593,084)	(1,519,773)
Net property and equipment	$ 1,205,542	$ 1,225,968

Depreciation expense was $73,307 and $71,565 for the years ended December 31, 2016 and 2015, respectively.

Note 3 - Investments

Investments are stated at fair market value and consist of equity and debt securities. Cost, fair market value and net unrealized gains and losses are summarized as follows:

	2016		
	Cost	Fair Market Value	Net Unrealized Gains (Losses)
Cash and money market	$ 239,428	$ 239,428	$ -
Government obligations	358,839	353,024	(5,815)
Corporate bonds	1,008,522	1,015,122	6,600
Common stock	1,663,291	2,551,892	888,601
Mutual funds	1,329,847	1,360,641	30,794
Total investments	$ 4,599,927	$ 5,520,107	$ 920,180

Note 3 continued on the next page.

Note 3 - Investments

	2015		
	Cost	Fair Market Value	Net Unrealized Gains (Losses)
Cash and money market	$ 160,603	$ 160,603	$ -
Government obligations	775,995	759,233	(16,762)
Corporate bonds	952,894	966,942	14,048
Common stock	1,486,072	2,430,449	944,377
Mutual funds	1,204,649	1,150,847	(53,802)
Total investments	$ 4,580,213	$ 5,468,074	$ 887,861

The composition of investment return is as follows at December 31, 2016 and 2015:

	2016	2015
Net interest and dividends	$ 98,923	$ 61,736
Net realized gains on sale of investments	84,648	170,586
Net unrealized gains (losses) on investments	32,319	(136,679)
Total investment return	$ 215,890	$ 95,643

Total investment fees were $40,675 and $41,772 for the years ended December 31, 2016 and 2015, respectively.

Note 4 - Investments Held in Perpetual Trust

The Organization is a beneficiary of the Mary Yonker Memorial Trust, Arthur M. Potter Charitable Trust, E. Thompson Perpetual Charitable Trust and W. A. Thompson Trust. The income from the trusts is distributed to the Organization based on allocations of 20%, 33.34%, 16.67% and 16.67%, respectively. The remaining income is distributed to unrelated not-for-profit organizations as required by split-interest agreements contained in trust instruments. This income may be used for any purpose consistent with the Organization's charitable purpose. Distributions to the Organization from the trusts totaled $90,559 and $95,194 for the years ended December 31, 2016 and 2015, respectively.

Note 4 continued on the next page.

Note 4 - Investments Held in Perpetual Trust

The following is a schedule of assets held in the trust funds and the Organization's beneficial share of those assets at market value at December 31, 2016 and 2015:

	2016	
	Total Trust Assets	IN-SIGHT's Beneficial Share
Mary Yonker Memorial Trust	$ 1,436,448	$ 287,289
Arthur M. Potter Charitable Trust	1,590,943	530,312
E. Thompson Perpetual Charitable Trust	1,699,631	283,272
W.A. Thompson Trust	7,422,961	1,237,162
Total	$ 12,149,983	$ 2,338,035

	2015	
	Total Trust Assets	IN-SIGHT's Beneficial Share
Mary Yonker Memorial Trust	$ 1,405,996	$ 281,199
Arthur M. Potter Charitable Trust	1,576,348	525,449
E. Thompson Perpetual Charitable Trust	1,680,389	280,065
W.A. Thompson Trust	7,317,300	1,219,550
Total	$ 11,980,033	$ 2,306,263

Note 5 - Fair Value Measurements

Generally accepted accounting principles establish a framework for measuring fair value and expand disclosures about fair value measurements for assets and liabilities. 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 inputs) and the lowest priority to unobservable inputs (level 3 inputs). The three levels of the fair value hierarchy according to generally accepted accounting principles are as follows:

- Level 1 – valuations based on quoted prices in active markets for identical investments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.
- Level 2 – valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, and determined through the use of models or other valuation methodologies.
- Level 3 – valuations based on inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

Note 5 continued on the next page.

Note 5 - Fair Value Measurements (continued)

The following table presents financial assets at December 31, 2016 and 2015 that the Organization measures fair values on a recurring basis, by level, within the fair value hierarchy:

Investments at Fair Value as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Interests in perpetual trusts	$ -	$ 2,338,035	$ -	$ 2,338,035
Government obligations	353,024	-	-	353,024
Corporate bonds	1,015,122	-	-	1,015,122
Mutual funds	1,360,641	-	-	1,360,641
Equity Securities:				
Healthcare industry	513,669	-	-	513,669
Information technology	703,502	-	-	703,502
Financial industry	412,691	-	-	412,691
Consumer staples	136,478	-	-	136,478
Consumer discretionary	278,110	-	-	278,110
Energy industry	170,982	-	-	170,982
Industrials	309,236	-	-	309,236
Telecommunication	27,224	-	-	27,224
Money market funds	239,428	-	-	239,428
Total investments	$ 5,520,107	$ 2,338,035	$ -	$ 7,858,142

Investments at Fair Value as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
Interests in perpetual trusts	$ -	$ 2,306,263	$ -	$ 2,306,263
Government obligations	759,234	-	-	759,234
Corporate bonds	966,941	-	-	966,941
Mutual funds	1,150,847	-	-	1,150,847
Equity Securities:				
Healthcare industry	621,596	-	-	621,596
Information technology	533,402	-	-	533,402
Financial industry	349,419	-	-	349,419
Consumer staples	163,527	-	-	163,527
Consumer discretionary	269,348	-	-	269,348
Energy industry	123,254	-	-	123,254
Industrials	369,903	-	-	369,903
Money market funds	160,603	-	-	160,603
Total investments	$ 5,468,074	$ 2,306,263	$ -	$ 7,774,337

Note 6 - Temporarily Restricted Net Assets

As of December 31, 2016 and 2015, temporarily restricted net assets are available for the following purposes:

	2016	2015
RI Foundation – Low vision program	$ 75,000	$ 65,000
RI Foundation – Woonsocket services	16,522	16,208
Shriners of RI – Low vision program	5,000	5,000
Total temporarily restricted net assets	$ 96,522	$ 86,208

Note 7 - Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors. The amounts released during the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Vision rehabilitation	$ 75,000	$ 82,500
Woonsocket services	16,208	15,646
Low vision	5,000	-
"On the Move" Mobility Summer Program	16,900	-
INSPIRE – Youth Program	-	5,000
Pediatric low vision	-	3,000
Rear entrance and parking lot improvements	-	57,890
Total net assets released from restrictions	$ 113,108	$ 164,036

Note 8 - Endowment

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with Rhode Island State law, the Organization

Note 8 continued on the next page.

Note 8 - Endowment

considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

a) the duration and preservation of the endowment fund,

b) the purpose of the Organization and the endowment,

c) general economic conditions,

d) the possible effect of inflation or deflation,

e) the expected total return from income and the appreciation of investments,

f) other resources of the Organization, and

g) The investment policy of the Organization.

In addition, the appropriation for expenditure in any year of an amount greater than seven percent of a three year-rolling average fair market value, may be deemed imprudent.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold for either a donor-specified time as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that match or exceed the results of the Standard & Poor 500 index and other comparable indices as applicable, while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (both realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Under the Organization's spending policy, the Board has approved a five percent annual distribution based on a thirty-six month trailing average value, on an annual basis, to support operations.

The composition of endowment net assets by net asset class is as follows for the years ended December 31, 2016 and 2015 as follows:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 68,000	$ 68,000
Board designated endowment funds	7,280	-	-	7,280
Total	$ 7,280	$ -	$ 68,000	$ 75,280

Note 8 continued on the next page.

Note 8 - Endowment

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 68,000	$ 68,000
Board designated endowment funds	4,313	-	-	4,313
Total	$ 4,313	$ -	$ 68,000	$ 72,313

Endowment activities by net asset class are as follows for the years ended December 31, 2016 and 2015:

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Endowment net assets, beginning of year	$ 4,313	$ -	$ 68,000	$ 72,313	$ 71,688
Investment return:					
Investment income, net of fees	690	-	-	690	718
Net realized and unrealized gains (losses)	2,277	-	-	2,277	(93)
Appropriation of endowment funds for expenditure	-	-	-	-	-
Endowment net assets, end of year	$ 7,280	$ -	$ 68,000	$ 75,280	$ 72,313

Reconciliation of endowment assets to total net assets at December 31, 2015:

	2016			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Endowment assets and those functioning as endowment assets	$ 7,280	$ -	$ 68,000	$ 75,280
Investments held in perpetual trust	-	-	2,338,035	2,338,035
Other net assets	6,677,010	96,522	-	6,773,532
Total net assets	$ 6,684,290	$ 96,522	$ 2,406,035	$ 9,186,847

Note 8 continued on the next page.

Note 8 - Endowment

	2015			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Endowment assets and those functioning as endowment assets	$ 4,313	$ -	$ 68,000	$ 72,313
Investments held in perpetual trust	-	-	2,306,263	2,306,263
Other net assets	6,724,377	86,208	-	6,810,585
Total net assets	$ 6,728,690	$ 86,208	$ 2,374,263	$ 9,189,161

Note 9 - Lease Agreements

During 2016, the Organization received rental payments from two tenants as provided under operating agreements. One operating agreement commenced in May 15, 2014 with a lease term of twelve years with an option of extending the agreement for an additional five years. The second operating agreement commenced on June 1, 2016 with a lease term of three years with an option of extending the agreement for an additional two years.

Future minimum rents to be received over the next five years are as follows:

December 31,	
2017	$ 212,426
2018	217,805
2019	161,780
2020	122,244
2021 and beyond	740,382

Note 10 - Line of Credit

During 2015, the Organization had a line of credit with a local bank. The maximum borrowing limit on the line of credit was $400,000 with interest payable at the prime rate of 3.25%. The line was secured by an investment account at the bank. The outstanding balance on this line of credit was $0 as of December 31, 2015. The line of credit was not renewed during 2016.

Note 11 - Pension Plan

The Organization sponsors a defined-contribution plan that covers all of its full-time employees. Employees are eligible to participate after one year of employment. The Organization's contributions to the plan are based on a match of up to 3% in 2016 and 2015 of the employee's gross wages that are contributed to the plan. For the years ended December 31, 2016 and 2015, the employer contributions were $6,615 and $6,270, respectively.

Note 12 - Contributed Services

During 2016 and 2015, volunteers donated their services to the Organization for the radio reading program, vision rehabilitation program and other programs operated by the Organization. An objective basis to measure the approximate amount of time donated by volunteers for its programs has been developed. According to generally accepted accounting principles for accounting for Contributions Received and Contributions Made, services requiring specialized skills that would have had to be purchased would be recorded. During 2016 and 2015, $0 and $2,870 have been recorded as in-kind services in the accompanying financial statements.

In addition, in 2016 and 2015 there were over 3,702 and 3,390 hours, respectively, of other volunteer services provided to the Organization that did not meet the criteria for recognition as contributed services.

Note 13 - Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, are investments and accounts receivable. Management believes that there is no risk of loss related to the accounts receivable at December 31, 2016 and 2015.

The Organization has a diversified portfolio for all of its investments and retains an investment advisor to attain a prudent level of diversification.

Note 14 - Related Party Transactions

The Organization uses a law firm that the Treasurer of the Board of Directors is a partner of. Total amounts paid to this law firm for legal fees for the years ended December 31, 2016 and 2015 were $4,542 and $185, respectively. As of December 31, 2016 and 2015, the amounts owed to this law firm for legal fees were $0 and $0, respectively.

The Organization uses a real estate brokerage firm that the Secretary of the Board of Directors is a partner of. Total amounts paid to this brokerage firm for commission expenses for the years ended December 31, 2016 and 2015 were $15,168 and $0, respectively. As of December 31, 2016 and 2015, the amounts owed to this brokerage firm for commission expenses were $0 and $0, respectively.

The Organization uses an investment company that employs the Vice Chair as well as a member of the Board of Directors. Total amounts paid to this investment company for investment fees the years ended December 31, 2016 and 2015 were $40,675 and $41,772, respectively. As of December 31, 2016 and 2015, the amounts owed to this investment company for investment fees were $0 and $0, respectively.

Note 15 - Subsequent Events

Subsequent events have been evaluated through May, 3, 3017, which is the date the financial statements were available for issuance.