

IN-SIGHT

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Financial Statements

December 31, 2018

Mullen Scorpio Cerilli

**Certified Public Accountants
Business Consultants**

Mullen Scorpio Cerilli

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Independent Auditor's Report

To the Board of Directors of
IN-SIGHT

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, 2018, 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 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.

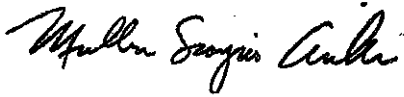
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Mullen Scorpio Cerilli

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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



May 22, 2019
Providence, Rhode Island

IN-SIGHT
Statement of Financial Position
December 31, 2018

	Assets	
Current assets:		
Cash and cash equivalents		\$ 250,444
Accounts receivable, net		2,299
Inventory		18,473
Prepaid expenses		7,336
Total current assets		<u>278,552</u>
Net property and equipment		<u>1,136,363</u>
Noncurrent assets:		
Investments		5,904,802
Beneficial interest in perpetual trusts		2,275,665
Total noncurrent assets		<u>8,180,467</u>
Total assets		<u>\$ 9,595,382</u>
	Liabilities and Net Assets	
Liabilities (all current):		
Accounts payable and accrued expenses		\$ 53,109
Deferred revenue		18,830
Accrued payroll and taxes		10,137
Total liabilities		<u>82,076</u>
Net assets:		
Without donor restrictions:		
Available for operations		103,472
Invested in property and equipment		1,136,363
Board designated for investments		5,836,802
Total net assets without donor restrictions		<u>7,076,637</u>
With donor restrictions:		
Purpose and time restricted		93,004
Investments held in perpetual trusts		2,275,665
Donor-restricted endowments		68,000
Total net assets with donor restrictions		<u>2,436,669</u>
Total net assets		<u>9,513,306</u>
Total liabilities and net assets		<u>\$ 9,595,382</u>

See accompanying notes to the financial statements.

IN-SIGHT
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Grant income	\$ 88,515	\$ 115,504	\$ 204,019
Workshop contract income	18,744	-	18,744
Trust fund income	105,467	-	105,467
Contributions	50,657	5,000	55,657
Rental income	221,113	-	221,113
Fee for service income	89,083	-	89,083
Special event	14,988	-	14,988
In-kind donations	900	-	900
Other income	139	-	139
Total support and revenue	<u>589,606</u>	<u>120,504</u>	<u>710,110</u>
Reclassification - net assets released from restrictions	<u>128,374</u>	<u>(128,374)</u>	<u>-</u>
Total support, revenue and reclassification	<u>717,980</u>	<u>(7,870)</u>	<u>710,110</u>
Expenses:			
Rehabilitation	359,471	-	359,471
Low vision clinic	117,633	-	117,633
Radio program	116,201	-	116,201
Workshop	84,197	-	84,197
Youth program	38,544	-	38,544
Rental expenses	108,639	-	108,639
General and administrative	81,818	-	81,818
Development	31,092	-	31,092
Total expenses	<u>937,595</u>	<u>-</u>	<u>937,595</u>
Income (loss) from operations	(219,615)	(7,870)	(227,485)
Non-operating income (expense):			
Bequest income - board designated for investment	45,605	-	45,605
Net investment income	(326,000)	-	(326,000)
Change in value of beneficial interest in perpetual trust	-	(357,376)	(357,376)
Total non-operating income	<u>(280,395)</u>	<u>(357,376)</u>	<u>(637,771)</u>
Change in net assets	(500,010)	(365,246)	(865,256)
Net assets, beginning of year	<u>7,576,647</u>	<u>2,801,915</u>	<u>10,378,562</u>
Net assets, end of year	<u>\$ 7,076,637</u>	<u>\$ 2,436,669</u>	<u>\$ 9,513,306</u>

See accompanying notes to the financial statements.

IN-SIGHT
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Rehabilitation	Low Vision Clinic	Radio Program	Workshop	Youth Program	Rental Expenses	General and Administrative	Development	Total Expenses
Salaries and related expenses:									
Salaries	212,010	60,081	61,557	64,388	6,586	-	44,657	10,774	460,053
Fringe benefits	13,525	1,145	10,622	1,367	-	-	10,016	1,742	38,417
Payroll taxes	19,022	5,427	5,511	5,692	575	-	3,850	950	41,027
Total salaries and related expenses	244,557	66,653	77,690	71,447	7,161	-	58,523	13,466	539,497
Administrative and other expenses:									
Supplies and materials	22,858	17,176	4,431	2,275	10,969	-	-	-	57,709
Communications	1,494	552	5,480	215	97	-	325	162	8,325
Office expense	7,205	2,584	2,112	869	407	-	1,363	684	15,224
Computers and software	8,048	4,148	3,985	958	459	-	1,545	1,033	20,176
Postage and freight	1,899	742	718	275	171	-	455	302	4,562
Professional fees	5,449	1,881	1,438	664	332	-	1,966	553	12,283
Bookkeeping	3,258	1,204	921	425	213	-	708	354	7,083
Consultants	3,063	3,001	645	353	11,399	-	601	228	19,290
Utilities	9,249	3,272	2,572	1,231	615	2,725	2,034	1,017	22,715
Repairs and maintenance	14,914	2,818	2,488	1,564	544	33,195	3,045	1,594	60,162
Insurance	6,296	2,327	1,779	821	514	3,519	1,040	684	16,980
Property taxes	-	-	217	-	-	32,392	-	-	32,609
Transportation expense	13,082	416	-	193	110	-	68	11	13,880
Dues, licenses and fees	543	197	1,705	48	24	-	54	40	2,611
Promotional materials	752	307	156	72	36	-	120	60	1,503
Fundraising expenses	3,949	1,459	1,116	515	1,225	-	859	7,390	16,513
Conferences and education	959	-	-	-	-	-	434	230	1,623
Payroll service fees	1,268	469	358	165	83	-	336	138	2,817
Bank charges and miscellaneous	211	92	55	25	17	-	3,132	21	3,553
Total administrative and other expenses	104,497	42,645	30,176	10,668	27,215	71,831	18,085	14,501	319,618
Depreciation	10,417	8,335	8,335	2,082	4,168	36,808	5,210	3,125	78,480
Total expenses	359,471	117,633	116,201	84,197	38,544	108,639	81,818	31,092	937,995

See accompanying notes to the financial statements.

IN-SIGHT
Statement of Cash Flows
December 31, 2018

Cash flows from operating activities:	
Change in net assets	\$ (865,256)
Adjustments to reconcile total change in net assets to net cash used by operating activities:	
Depreciation	78,480
Realized (gains) losses on investments	(222,573)
Unrealized (gains) losses on investments	627,851
Unrealized (gains) losses on beneficial interest in perpetual trusts	357,376
Changes in current assets and liabilities:	
Accounts receivable	94,953
Inventory	856
Prepaid expenses	1,648
Accounts payable and accrued expenses	(6,298)
Deferred revenue	542
Accrued payroll and taxes	2,669
	70,248
Net cash used by operating activities	
Cash flows from investing activities:	
Acquisition of property and equipment	(49,528)
Proceeds from sale of investments	535,224
Purchase of investments	(448,169)
	37,527
Net cash provided by investing activities	
Cash flows from financing activities:	
Payments on line of credit	-
	-
Net cash used by financing activities	
Net decrease in cash and cash equivalents	107,775
Cash and cash equivalents, beginning of year	142,669
	\$ 250,444
Interest paid	\$ -
Income taxes paid	\$ -

See accompanying notes to the financial statements.

IN-SIGHT

Notes to Financial Statements

December 31, 2018

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

IN-SIGHT (the Organization) is a not-for-profit corporation located in Warwick, Rhode Island, 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 rental income, fee for service, contributions and grants.

Basis of Financial Reporting

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

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities* ("ASU 2016-14"), which reduces the number of net asset classes from three to two and increases disclosures about liquidity risks, among other changes. This ASU is effective for years beginning after December 15, 2017.

In accordance with the provisions of ASU 2016-14, the Organization's activities that increase or decrease net assets are classified as either net assets with donor restrictions or without donor restrictions, as follows:

- Net assets without donor restrictions are those without any donor-imposed restrictions as to their use and are available for the general operations of the Organization. The Board of Directors (the "Board") has voluntarily designated a portion of such net assets of the Organization as a contingency reserve, which consists of funds set aside to protect the programs of the Organization in the event of economic downturn, unforeseen expenditures, or catastrophic events which might prevent or inhibit the Organization from accomplishing its mission.

Note 1 continued on the next page.

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Financial Statement Presentation (continued)

- Net assets with donor restrictions are those whose use by the Organization has been temporarily limited by donors to a specific time period or purpose, or permanently restricted by donors, which require that the principal be invested in perpetuity and only the income be utilized by the Organization. Income may be utilized for the general operations of the Organization, or for temporarily restricted purposes as established by the donor. Transfers from net assets with donor restrictions to net assets without donor restrictions occur when income is appropriated for expenditure.

Revenue, gains and other support are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments or other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or 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.

Accounts Receivable

The Organization has adopted the reserve method of recording bad debts. Under this method, an allowance for doubtful accounts is recorded as an estimate of the amount of uncollectible accounts. The allowance for doubtful accounts was \$0 for the year ended December 31, 2018.

Inventory

Inventory is stated at the lower of cost or market, determined by the first-in, first-out (FIFO) method. 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 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 without donor restriction 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 net assets with donor restrictions. Absent donor stipulations regarding the time period 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 net assets with donor restrictions to net assets without donor restrictions.

Note 1 continued on the next page.

Note 1 - Summary of Significant Accounting Policies (continued)

Investments

Investments in marketable equity securities and all debt securities are recorded at fair value, which is based on quoted market prices. Unrealized and realized gains and losses are reported as investment income on the statement of activities. Investments are exposed to certain risks, such as interest rate, credit and overall market volatility.

Included in investments are certain money market funds with maturities of less than three months. Such money market funds are held for the express purpose of investment. All investment income and sale proceeds are deposited in these accounts until the funds can be reinvested or distributed. As such, these money market funds are reported as investments rather than cash equivalents in the accompanying financial statements.

The Board of Directors has the responsibility for investment activity for the Organization and maintains separate portfolios for net assets without donor restriction (including board-designated assets) and net assets with donor restriction. The Organization has developed a spending policy that allows five percent of the thirty-six-month trailing average market value of both with donor restriction and without donor restriction accounts to be transferred for operations on a monthly basis. However, in 2018, the Organization only took five percent from the without donor restriction account.

Investments Held in Perpetual Trusts

Perpetual trusts are initially recorded as with donor restriction contribution revenue, at fair value, based on the Organization's interest in the fair value of the underlying trust assets at the time of the gift. Subsequent changes to the trusts' fair values are reported as with donor restrictions net unrealized gains or losses on perpetual trusts and are reported as change in value of beneficial interest in perpetual trusts in the statement of activities. Income received from the trusts is reported as with donor restrictions or without donor restrictions investment income, depending on the existence or absence of donor-imposed restrictions.

The Organization also may be the beneficiary of interests in trusts and other assets in situations where the Organization has not been notified of its interest. The interest may be conditional or revocable, or the value of the interest may not be readily ascertainable. In such circumstances, no revenue has been recorded.

Contributions and Bequests

Contributions without donor restrictions received for the Organization's programs are recognized as income when received. All donor-restricted support is reported as an increase in net assets with donor restrictions. When the restriction expires, the restricted net assets are reclassified to net assets without donor restrictions.

The Organization is the beneficiary under various wills and trust agreements. Such amounts are recorded when a will is declared valid by a probate court and the proceeds are measurable.

Note 1 continued on the next page.

Note 1 - Summary of Significant Accounting Policies (continued)

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 and 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.

Exchange Transactions and Deferred Revenue

The Organization records revenues from exchange transactions as increases in net assets without restrictions to the extent that the earnings process is complete. These transactions primarily include fees for services and rental income. Receivables from exchange transactions are expected to be collected within one year and are recorded at net realizable value.

Resources received in exchange transactions are recognized as deferred revenue to extent that the earnings process has not been completed. These resources are recorded as without donor restriction revenues when the related obligations have been satisfied.

Board Designated Funds

The Board of Directors of the Organization has designated certain portions of net assets without donor restrictions for specific purposes. The Organization currently has designated funds for long-term investment.

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 U.S. 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.

Note 1 continued on the next page.

Note 1 - Summary of Significant Accounting Policies (continued)

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.

Liquidity and Availability of Financial Assets

The Organization structures its financial assets to be available as general expenditures, liabilities, and other obligations become due. It has diverse revenue streams, restricted funds for specified long term projects, as well as board-designated funds available to meet future cash operating requirements.

As of December 31, 2018, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 250,444
Grants and program service receivable	<u>2,299</u>
Total	<u>\$ 252,743</u>

Note 2 - Property and Equipment

The Organization's property and equipment at December 31, 2018 consisted of the following:

Building and improvements	\$ 2,429,887
Land and land improvements	116,625
Equipment and furniture	<u>335,605</u>
Total property and equipment	2,882,117
Accumulated depreciation	<u>(1,745,754)</u>
Net property and equipment	<u>\$ 1,136,363</u>

Depreciation expense was \$78,480 for the year ended December 31, 2018, 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:

	Cost	Fair Market Value	Net Unrealized Gains (Losses)
Cash and money market	\$ 108,714	\$ 108,714	\$ -
Government obligations	306,993	302,714	(4,278)
Corporate bonds	1,009,013	995,577	(13,436)
Mutual funds	1,842,335	1,823,826	(18,510)
Common stock	1,732,872	2,673,971	941,099
Total investments	<u>\$ 4,999,927</u>	<u>\$ 5,904,802</u>	<u>\$ 904,875</u>

The composition of investment return is as follows at December 31, 2018:

Interest and dividends	\$ 127,897
Net realized gains (losses) on sale of investments	222,573
Net unrealized gains (losses) on investments	(627,851)
Investment fees	<u>(48,619)</u>
Total investment return	<u>\$ (326,000)</u>

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 \$105,467 for the year ended December 31, 2018.

Note 4 continued on the next page.

Note 4 - Investments Held in Perpetual Trust (continued)

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, 2018:

	Total Trust Assets	IN-SIGHT's Beneficial Share
Mary Yonker Memorial Trust	\$ 1,397,889	\$ 279,577
Arthur M. Potter Charitable Trust	1,540,648	513,549
E. Thompson Perpetual Charitable Trust	1,656,533	276,089
W.A. Thompson Trust	7,238,701	1,206,450
Total	<u>\$ 11,833,771</u>	<u>\$ 2,275,665</u>

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, 2018 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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interests in perpetual trusts	\$ -	\$ -	\$ 2,275,665	\$ 2,275,665
Government obligations	302,714	-	-	302,714
Corporate bonds	995,577	-	-	995,577
Mutual funds	1,823,826	-	-	1,823,826
Equity securities:				
Healthcare industry	441,717	-	-	441,717
Information technology	810,343	-	-	810,343
Financial industry	326,533	-	-	326,533
Consumer staples	100,115	-	-	100,115
Consumer discretionary	290,888	-	-	290,888
Energy industry	116,154	-	-	116,154
Industrials	300,752	-	-	300,752
Telecommunication	228,277	-	-	228,277
Utilities	31,287	-	-	31,287
Real Estate	27,905	-	-	27,905
Money market funds	108,714	-	-	108,714
Total investments	<u>\$ 5,904,802</u>	<u>\$ -</u>	<u>\$ 2,275,665</u>	<u>\$ 8,180,467</u>

For the year ended December 31, 2018, Level 1 assets are valued at the closing price reported on the active market on which the funds are traded.

For the year ended December 31, 2018, the Level 3 valuation of the interests in perpetual trusts held by various financial institutions are determined using the investment statements provided by the trustees, which include market values for publicly traded investments. Due to the Organization's lack of control over the investing activities, the funds held by the financial institutions are considered to be valued using unobservable market inputs.

The table below provides a summary of changes in the fair value of the Level 3 financial assets measured on a recurring basis for the year ended December 31, 2018:

Balance, beginning of year	\$ 2,633,041
Change in value	<u>(357,376)</u>
Balance, end of year	<u>\$ 2,275,665</u>

Note 6 - Net Assets with Donor Restrictions

Net assets with donor restrictions may be restricted temporarily for a specific time period or purpose, or permanently, whereby the principal is required to be invested in perpetuity, and only the income may be utilized by the Organization.

Net assets with donor restrictions subject to expenditure for specified purposes or time restriction as of December 31, 2018:

Low vision program	\$ 71,000
Woonsocket services	17,004
Children's vision program	<u>5,000</u>
Total purpose and time restricted	<u>\$ 93,004</u>

Net assets with permanent restrictions as of December 31, 2018:

Mary Yonker Memorial Trust	\$ 279,577
Arthur M. Potter Charitable Trust	513,549
E. Thompson Perpetual Charitable Trust	276,089
W.A. Thompson Trust	<u>1,206,450</u>
Total investments held in perpetual trusts	<u>\$ 2,275,665</u>
Donor-restricted endowments	<u>\$ 68,000</u>
Total net assets with donor restrictions	<u>\$ 2,436,669</u>

Note 7 - Net Assets Released from Donor 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 year ended December 31, 2018 is as follows:

Vision rehabilitation	\$ 89,100
Woonsocket services	16,774
Children's vision program	5,000
"On the Move" Mobility Summer Program	12,500
Summer program	<u>5,000</u>
Total net assets released from restrictions	<u>\$ 128,374</u>

Note 8 - Endowment

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the Board to function as an endowment. 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 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.

Note 8 continued on the next page.

Note 8 - Endowment (continued)

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

The composition of endowment net assets by net asset class for the year ended December 31, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Purpose & Time Restrictions</u>	<u>Donor Restricted Endowments</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 68,000	\$ 68,000
Board designated endowment funds	16,743	-	-	16,743
Total	<u>\$ 16,743</u>	<u>\$ -</u>	<u>\$ 68,000</u>	<u>\$ 84,743</u>

Endowment activities by net asset class for the year ended December 31, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Purpose & Time Restrictions</u>	<u>Donor Restricted Endowments</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 21,502	\$ -	\$ 68,000	\$ 89,502
Investment return:				
Investment income, net of fees	1,647	-	-	1,647
Net realized and unrealized gains (losses)	(6,406)	-	-	(6,406)
Appropriation of endowment funds for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ 16,743</u>	<u>\$ -</u>	<u>\$ 68,000</u>	<u>\$ 84,743</u>

Note 8 continued on the next page.

Note 8 - Endowment (continued)

Reconciliation of endowment assets to total net assets at December 31, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose & Time Restrictions	Donor Restricted Endowments	
Endowment assets and those functioning as endowment assets	\$ 16,743	\$ -	\$ 68,000	\$ 84,743
Beneficial interest in perpetual trust	-	-	2,275,665	2,275,665
Other net assets	<u>7,059,894</u>	<u>93,004</u>	<u>-</u>	<u>7,152,898</u>
Total net assets	<u>\$ 7,076,637</u>	<u>\$ 93,004</u>	<u>\$ 2,343,665</u>	<u>\$ 9,513,306</u>

Note 9 - Lease Agreements for Rental Income

During 2018, 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 and 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 and an option of extending the agreement for an additional two years. However, this extension was not exercised by the tenant.

Future minimum rents to be received are as follows:

December 31,	
2019	\$ 161,780
2020	122,244
2021	125,911
2022	129,688
2023	133,579
2024 and beyond	351,204

Note 10 - 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 matches 100% of compensation deferrals, up to a maximum of 3% of compensation deferred. For the year ended December 31, 2018, the employer contributions was \$8,367.

Note 11 - Contributed Services

During 2018, 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 2018, \$900 has been recorded as in-kind services in the accompanying financial statements.

In addition, in 2018 there was over 3,702 hours of other volunteer services provided to the Organization that did not meet the criteria for recognition as contributed services.

Note 12 - 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, 2018.

The Organization maintains its investments in financial instruments of various industries to diversify the portfolio and minimize the Conference's exposure to investment risk. At year-end, management has performed a detailed analysis and does not believe that significant credit risk exists related to the above-mentioned financial instruments.

Note 13 - Related Party Transactions

The Treasurer of the Board of Directors is a partner of a law firm that provides services to the Organization. Total amounts paid to this firm for the year ended December 31, 2018 was \$1,237. As of December 31, 2018, there was no amounts owed to this firm.

The Organization's investment advisor employed the chair until December 2017 and employs a member of the Board of Directors. Total amounts paid to this advisor for investment fees for the year ended December 31, 2018 was \$48,619. As of December 31, 2018, there was no the amounts owed to this advisor for investment fees.

Note 14 - Subsequent Events

Subsequent events have been evaluated through May 22, 2019, which is the date the financial statements were available for issuance.