

The Cleveland Society for the Blind

YEARS ENDED DECEMBER 31, 2021 AND 2020

THE CLEVELAND SOCIETY FOR THE BLIND

YEARS ENDED DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

Board of Trustees
The Cleveland Society for the Blind
Cleveland, Ohio

Opinion

We have audited the accompanying financial statements of The Cleveland Society for the Blind, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cleveland Society for the Blind as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Cleveland Society for the Blind's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

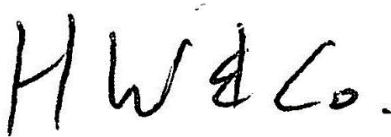
Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Cleveland Society for the Blind's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Cleveland Society for the Blind's ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in black ink that reads "H W & Co." with a period at the end. The letters are cursive and somewhat stylized.

Cleveland, Ohio
March 28, 2022

THE CLEVELAND SOCIETY FOR THE BLIND

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

ASSETS		
	2021	2020
Assets:		
Cash and cash equivalents	\$ 3,219,450	\$ 3,052,894
Receivables, net	938,779	616,450
Promises to give, net	337,433	699,746
Investments	100,134,257	86,971,559
Inventories	102,706	83,648
Prepaid expenses	28,560	56,952
Beneficial interest trusts	20,423,306	18,435,698
	125,184,491	109,916,947
 Property and equipment:		
Land and land improvements	2,031,061	2,031,061
Buildings and improvements	13,880,666	13,821,731
Equipment, furniture, and fixtures	2,436,054	2,418,737
	18,347,781	18,271,529
Less accumulated depreciation	8,679,215	8,252,773
	9,668,566	10,018,756
	\$ 134,853,057	\$ 119,935,703
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 324,656	\$ 184,391
Accrued expenses	429,630	525,925
Obligations under annuity agreements	180,336	163,746
Refundable advances	15,123	14,242
Total liabilities	949,745	888,304
 Net assets:		
Without donor restrictions	69,601,820	61,750,985
With donor restrictions	64,301,492	57,296,414
Total net assets	133,903,312	119,047,399
	\$ 134,853,057	\$ 119,935,703

See notes to financial statements.

THE CLEVELAND SOCIETY FOR THE BLIND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2021

	Net assets without donor restrictions			Net assets with donor restrictions	Total
	General Fund	Board Designated	Total		
Public support and revenue					
Public support:					
Contributions and grants	\$ 866,945	\$ 1,598,865	\$ 2,465,810	\$ 149,534	\$ 2,615,344
Fundraising, net	61,380		61,380		61,380
Restricted funds released for current program activities	<u>339,808</u>		<u>339,808</u>	<u>(339,808)</u>	
Total public support	1,268,133	1,598,865	2,866,998	(190,274)	2,676,724
Revenue:					
Retail sales, net	108,473		108,473		108,473
Program service fees	5,143,298		5,143,298		5,143,298
Other revenue	<u>79,123</u>		<u>79,123</u>		<u>79,123</u>
Total revenue	5,330,894		5,330,894		5,330,894
Investment income:					
Investment income (loss), net	(1,248)	10,246,960	10,245,712	8,313,264	18,558,976
Investment income released per spending policy	1,325,104	(732,323)	592,781	(592,781)	
Earnings from beneficial trusts				1,694,007	1,694,007
Earnings from beneficial trusts released from restriction	<u>1,694,007</u>		<u>1,694,007</u>	<u>(1,694,007)</u>	
Total investment income	<u>3,017,863</u>	<u>9,514,637</u>	<u>12,532,500</u>	<u>7,720,483</u>	<u>20,252,983</u>
Total public support, revenue and investment income	9,616,890	11,113,502	20,730,392	7,530,209	28,260,601
Expenses:					
Program services	8,733,708		8,733,708		8,733,708
Management and general	1,186,625		1,186,625		1,186,625
Fundraising	<u>686,532</u>		<u>686,532</u>		<u>686,532</u>
Total expenses	<u>10,606,865</u>		<u>10,606,865</u>		<u>10,606,865</u>
Net unrealized loss on equity securities		<u>(3,170,420)</u>	<u>(3,170,420)</u>	<u>(1,963,723)</u>	<u>(5,134,143)</u>
Changes in net assets before other changes to net assets	(989,975)	7,943,082	6,953,107	5,566,486	12,519,593
Other changes to net assets:					
Net unrealized loss on debt securities				(592,204)	(592,204)
Change in value of annuity agreements				43,188	43,188
Change in value of beneficial trusts				1,987,608	1,987,608
Income from forgivable loan	1,247,158		1,247,158		1,247,158
Depreciation expense	(351,430)		(351,430)		(351,430)
Gain on sale of assets	<u>2,000</u>		<u>2,000</u>		<u>2,000</u>
Changes in net assets	(92,247)	7,943,082	7,850,835	7,005,078	14,855,913
Net assets, beginning of year	<u>5,567,910</u>	<u>56,183,075</u>	<u>61,750,985</u>	<u>57,296,414</u>	<u>119,047,399</u>
Net assets, end of year	<u>\$ 5,475,663</u>	<u>\$ 64,126,157</u>	<u>\$ 69,601,820</u>	<u>\$ 64,301,492</u>	<u>\$ 133,903,312</u>

See notes to financial statements.

THE CLEVELAND SOCIETY FOR THE BLIND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2020

	Net assets without donor restrictions			Net assets with donor restrictions	Total
	General Fund	Board Designated	Total		
Public support and revenue					
Public support:					
Contributions and grants	\$ 806,012	\$ 124,014	\$ 930,026	\$ 198,421	\$ 1,128,447
Fundraising, net	150,304		150,304		150,304
Restricted funds released for current program activities	<u>113,516</u>		<u>113,516</u>	<u>(113,516)</u>	
Total public support	1,069,832	124,014	1,193,846	84,905	1,278,751
Revenue:					
Retail sales, net	94,751		94,751		94,751
Program service fees	3,978,606		3,978,606		3,978,606
Other revenue	<u>294,954</u>		<u>294,954</u>		<u>294,954</u>
Total revenue	4,368,311		4,368,311		4,368,311
Investment income:					
Investment income, net	33,904	5,213,833	5,247,737	4,247,245	9,494,982
Investment income released per spending policy	2,400,127	(1,326,438)	1,073,689	(1,073,689)	
Earnings from beneficial trusts				1,670,840	1,670,840
Earnings from beneficial trusts released from restriction	<u>1,670,840</u>		<u>1,670,840</u>	<u>(1,670,840)</u>	
Total investment income	<u>4,104,871</u>	<u>3,887,395</u>	<u>7,992,266</u>	<u>3,173,556</u>	<u>11,165,822</u>
Total public support, revenue and investment income	9,543,014	4,011,409	13,554,423	3,258,461	16,812,884
Expenses:					
Program services	7,908,522		7,908,522		7,908,522
Management and general	1,041,334		1,041,334		1,041,334
Fundraising	<u>538,338</u>		<u>538,338</u>		<u>538,338</u>
Total expenses	<u>9,488,194</u>		<u>9,488,194</u>		<u>9,488,194</u>
Net unrealized gain (loss) on equity securities		<u>61,031</u>	<u>61,031</u>	<u>(200,764)</u>	<u>(139,733)</u>
Changes in net assets before other changes to net assets	54,820	4,072,440	4,127,260	3,057,697	7,184,957
Other changes to net assets:					
Net unrealized gain on debt securities		176,828	176,828	407,435	584,263
Change in value of annuity agreements				33,137	33,137
Change in value of beneficial trusts				813,469	813,469
Income from forgivable loan	1,409,300		1,409,300		1,409,300
Depreciation expense	(386,974)		(386,974)		(386,974)
Gain on sale of assets	<u>1,250</u>		<u>1,250</u>		<u>1,250</u>
Changes in net assets	1,078,396	4,249,268	5,327,664	4,311,738	9,639,402
Net assets, beginning of year	<u>4,489,514</u>	<u>51,933,807</u>	<u>56,423,321</u>	<u>52,984,676</u>	<u>109,407,997</u>
Net assets, end of year	<u><u>\$ 5,567,910</u></u>	<u><u>\$ 56,183,075</u></u>	<u><u>\$ 61,750,985</u></u>	<u><u>\$ 57,296,414</u></u>	<u><u>\$ 119,047,399</u></u>

See notes to financial statements.

THE CLEVELAND SOCIETY FOR THE BLIND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and related expenses	\$ 6,135,507	\$ 975,231	\$ 568,245	\$ 7,678,983
Professional and contracted fees	1,830,366	148,921	83,330	2,062,617
Supplies and related	104,377	8,492	4,752	117,621
Occupancy	444,140	36,136	20,220	500,496
Program transportation	9,992	813	455	11,260
Staff travel	36,769	2,992	1,674	41,435
Other	83,821	6,820	3,816	94,457
Funded depreciation	88,736	7,220	4,040	99,996
	<u>8,733,708</u>	<u>1,186,625</u>	<u>686,532</u>	<u>10,606,865</u>
Total expenses before other expenses				
General fund depreciation	311,859	25,373	14,198	351,430
	<u>311,859</u>	<u>25,373</u>	<u>14,198</u>	<u>351,430</u>
Total expenses reported by function	<u><u>\$ 9,045,567</u></u>	<u><u>\$ 1,211,998</u></u>	<u><u>\$ 700,730</u></u>	<u><u>\$ 10,958,295</u></u>

See notes to financial statements.

THE CLEVELAND SOCIETY FOR THE BLIND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and related expenses	\$ 6,005,656	\$ 882,104	\$ 463,104	\$ 7,350,864
Professional and contracted fees	1,139,003	95,311	45,033	1,279,347
Supplies and related	98,189	8,216	3,882	110,287
Occupancy	440,167	36,833	17,403	494,403
Program transportation	7,964	666	315	8,945
Staff travel	27,107	2,268	1,072	30,447
Other	101,410	8,486	4,009	113,905
Funded depreciation	89,026	7,450	3,520	99,996
Total expenses before other expenses	7,908,522	1,041,334	538,338	9,488,194
General fund depreciation	344,523	28,830	13,621	386,974
Total expenses reported by function	\$ 8,253,045	\$ 1,070,164	\$ 551,959	\$ 9,875,168

See notes to financial statements.

THE CLEVELAND SOCIETY FOR THE BLIND

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Changes in net assets	\$ 14,855,913	\$ 9,639,402
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	451,426	486,970
Gain on sale of assets	(2,000)	(1,250)
Realized and unrealized gains on investments, net	(14,526,636)	(11,610,352)
Change in value of beneficial trusts	(1,987,608)	(813,469)
Income from forgivable loan	(1,247,158)	(1,409,300)
Decrease (increase) in assets:		
Receivables, net	(322,329)	136,550
Promises to give, net	362,313	(26,379)
Inventories	(19,058)	3,295
Prepaid expenses	28,392	4,822
Increase (decrease) in liabilities:		
Accounts payable	140,265	(115,361)
Accrued expenses	(96,295)	67,484
Refundable advances	881	2,759
	<u>(2,361,894)</u>	<u>(3,634,829)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Proceeds from the sale of investments	47,016,076	5,702,017
Purchase of investments	(45,652,138)	(1,884,532)
Proceeds from sale of investment in CSC Real Estate, LLC		87,844
Proceeds from sale of assets	2,000	1,250
Purchase of property and equipment	(101,236)	(120,243)
	<u>1,264,702</u>	<u>3,786,336</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Proceeds from annuity obligations	30,000	
Payments on annuity obligations	(13,410)	(15,674)
Proceeds from PPP loan	1,247,158	1,409,300
	<u>1,263,748</u>	<u>1,393,626</u>
Net cash provided by financing activities		
Net increase in cash and cash equivalents	166,556	1,545,133
Cash and cash equivalents, beginning of period	<u>3,052,894</u>	<u>1,507,761</u>
Cash and cash equivalents, end of period	<u>\$ 3,219,450</u>	<u>\$ 3,052,894</u>

See notes to financial statements.

THE CLEVELAND SOCIETY FOR THE BLIND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Description of Society and summary of significant accounting policies:

Nature of activities:

The Cleveland Society for the Blind (“Society”), also known as Cleveland Sight Center, is a private not-for-profit (Ohio) Corporation formed in 1906 to provide services to children, vocational age adults, and senior citizens who are blind or visually impaired. The Society is primarily supported through donor contributions, earnings from beneficial trusts, earnings from an endowment based on a spending policy, and program service fees.

Basis of accounting:

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Furthermore, the accounting policies adhered to by the Society are generally consistent with the *Audit and Accounting Guide Not-for-Profit Entities* issued by the American Institute of Certified Public Accountants.

Basis of presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its accounting standards for not-for-profit entities. Under these standards, the Society is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions – Net assets are not subject to donor-imposed restrictions.

Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees. Such net assets are recorded as board designated.

Net assets with donor restrictions – Net assets are subject to donor-imposed restrictions or to a specific time period or purpose. Net assets with donor restrictions includes contributions the donor stipulates must be held in perpetuity and some contributions that may be removed by the passage of time or actions of the Society to meet the restrictions. Earnings accumulated on donor restricted endowments and not appropriated by the Board of Trustees for expenditure are also included in net assets with donor restrictions.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE CLEVELAND SOCIETY FOR THE BLIND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Description of Society and summary of significant accounting policies (continued):

Cash and cash equivalents:

The Society considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The cash accounts are insured by the Federal Deposit Insurance Corporation. The Society's cash balances may exceed the insured amount from time to time. All cash held in the investment accounts is deemed an investment and is not insured by the Federal Deposit Insurance Corporation.

Liquidity and availability:

The Society's financial assets available within one year of the statements of financial position as of December 31, 2021 and 2020 for general expenditures are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,219,450	\$ 3,052,894
Accounts receivable, net	938,779	616,450
Current portion of promises to give	142,539	284,250
Investments estimated to be appropriated for current year	<u>3,970,000</u>	<u>3,700,200</u>
	<u>\$ 8,270,768</u>	<u>\$ 7,653,794</u>

As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Society invests cash in excess of daily requirements in short-term investments. Additionally, the Society's endowment funds consist of donor-restricted endowments, whose income is not restricted for specific purposes and, therefore is available for general expenditure. Based on the Society's investment and spending policy, \$3,970,000 and \$3,700,200 of earnings on endowment funds were available for use at December 31, 2021 and 2020, respectively, and can be released from restriction upon need for expenditure and a board resolution. Earnings on endowment funds are included in investments. The Society also has a demand line of credit in the amount of \$1,000,000, which it could draw upon to help manage unanticipated liquidity needs as they arise.

Receivables, net:

Receivables are stated at the amount management expects to collect from balances outstanding at year end. Receivables are recorded as performance obligations are satisfied. Accounts receivable are expected to be received within 30 days from the date billed. Interest is not charged on past due receivables. Management individually reviews all outstanding receivables. Based on management's assessment of collectability, the allowance for doubtful accounts is \$10,040 and \$4,613 on balances outstanding at December 31, 2021 and 2020, respectively.

Bad debt expense was \$3,600 during 2021 and \$7,500 during 2020.

THE CLEVELAND SOCIETY FOR THE BLIND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Description of Society and summary of significant accounting policies (continued):

Receivables, net (continued):

Receivables at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Private pay receivables, net	\$ 17,042	\$ 7,714
Governmental receivables	779,169	502,675
Interest receivable	59,078	53,445
Other	<u>83,490</u>	<u>52,616</u>
	<u>\$ 938,779</u>	<u>\$ 616,450</u>

Promises to give, net:

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are recognized as promises to give and related contribution reserve when received or when the donor makes an unconditional promise to give. Promises to give which span over multiple years are discounted at an adjusted risk-free rate at the time of the promise (historically between 1.00% and 4.66%). Management individually reviews promises to give and those deemed uncollectible are written off to bad debt expense. There was no bad debt expense related to promises to give at December 31, 2021 and 2020.

Inventories:

Inventories consist of retail merchandise and are stated at cost, determined by the first-in, first-out method, but not in excess of net realizable value.

Property and equipment:

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The policy of the Society is to capitalize assets greater than \$1,000 in value. Depreciation is computed using primarily the straight-line method over the expected useful lives of the assets, as follows:

	<u>Years</u>
Land improvements	5-30 years
Buildings and improvements	5-50 years
Equipment, furniture, and fixtures	2-10 years

THE CLEVELAND SOCIETY FOR THE BLIND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Description of Society and summary of significant accounting policies (continued):

Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income, net includes realized gains and losses, interest, and dividends, net of investment fees and are reported within the changes in net assets of the accompanying statements of activities and changes in net assets, and are recognized in the year it is earned. Total investment management fees were \$138,442 in 2021 and \$168,623 in 2020.

Investment in CSC Real Estate, LLC:

The Society was named a 25% beneficiary of a trust during 2018. The only property in the trust is land in Cleveland, Ohio, where a hotel is located (the trust did not own the building). The property had a land lease with the owners of the hotel. The lease commenced April 1, 1963, with an initial term of 99 years, thus expiring April 30, 2062. Perpetual 99-year renewals are at the option of the tenant, with modest increases in rent. Rent was \$18,000/year, triple net (tenant pays all taxes, insurance, etc.). The Society established CSC Real Estate, LLC (single member LLC for which the Society is the sole member) which became the partner in the Company (1800 Euclid Avenue LLC) accepting the property. Management calculated and recorded the Society's share of the estimated value of the property at the present value of the future cash flows over the initial lease term totaling \$78,166. There were no changes to the estimated value of the property at December 31, 2019. In September 2020, the property was sold to a third party and the Society's share from the sale was \$87,844. The gain on the sale of the investment is included in contributions and grants in the 2020 statement of activities and changes in net assets.

Functional allocation of expenses:

The costs of providing the Society's various programs and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets. The Society classifies expenses directly to the categories they are attributed to based on the expense. Certain costs have been allocated among the programs and supporting services benefited. Functional expenses are allocated based on an analysis by management of employee time spent within each functional area. Overhead costs are allocated pro-rata to total employees within each functional area.

Revenue recognition:

The Society recognizes revenue in accordance with FASB Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. The core principal of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps, (1) identify the contract(s), (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

The Society primarily generates revenues from payments received from contributions and grants, program service fees, fundraising, and retail sales.

THE CLEVELAND SOCIETY FOR THE BLIND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Description of Society and summary of significant accounting policies (continued):

Revenue recognition (continued):

Contributions and grants received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. If the grant is for a specific program provided by the Society, it is classified with program service fees; if it is for a general purpose it is classified with contributions and grants revenue in the statements of activities and changes in net assets.

Revenue is reported at the amount that reflects the consideration to which the Society expects to be entitled in exchange for providing the goods and services. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the goods and services provided by the Society. The Society recognizes revenue in the statements of activities and changes in net assets and contract assets in the statements of financial position only when the goods and services have been sold and delivered or have been provided. Since the Society has performed its obligations under the contracts, it has unconditional rights to the consideration recorded as contract assets and therefore, classifies those billed contract assets as accounts receivable.

Revenues from program services are recognized as performance obligations are satisfied, which in most cases are when the services are provided and billed.

Revenues from non-exchange transactions (contributions) may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Revenues from conditional non-exchange transactions are recognized when the barrier is satisfied. In addition, the Society has elected the simultaneous release option for conditional contributions that are also subject to purpose restrictions. Under this option, net assets without donor restrictions will include the donor-restricted contributions for which the purpose restrictions are met in the same reporting period as the revenue is recognized.

Unconditional promises to give are recognized as revenues or support in the period the promise is received. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give in subsequent years are recorded at their present value using an appropriate discount rate commensurate with the risks involved. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Revenue from certain government contract agreements is derived from cost-reimbursable government contract agreements, which are conditioned upon certain performance requirements and once the goods and services are provided by the Society. Receivables related to government agreements where services have been performed but have yet to be reimbursed by government entities are included in accounts receivable. At December 31, 2021 and 2020, receivables due from government entities totaled \$862,445 and \$531,691 respectively. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Program service fees are recognized as revenues when services have been rendered. Program service fees received in advance are deferred to the applicable year in which the related services are performed or expenditures are incurred and represent contract liabilities which are recorded as refundable advances in the statements of financial position.

THE CLEVELAND SOCIETY FOR THE BLIND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Description of Society and summary of significant accounting policies (continued):

Revenue recognition (continued):

The Society allocates the transaction price for retail sales to each distinct product based on their relative standalone selling price. Revenue is recognized when control of the product is transferred to the customer (i.e., when the Society's performance obligation is satisfied), which typically occurs at the point of sale.

Donated services:

A number of volunteers have donated time to the Society's program services and fundraising campaigns. However, these services are not reflected in the financial statements since the services did not require specialized skills.

Tax positions:

The Society is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes, and is not a private foundation under Section 509(a)(2). In addition, the Society qualifies for charitable contribution deduction under Section 170(b)(1)(a).

The Society did not identify any material unrecognized tax benefits upon evaluation of tax positions taken and therefore, there was no material effect on the Society's financial condition or results of operations.

The Society evaluates at each statement of financial position date uncertain tax positions taken, if any, to determine the need to record liabilities for taxes, penalties, and interest. The Society's policy is to record interest and penalties on uncertain tax provisions as income tax expense. As of December 31, 2021 and 2020, the Society had no accrued taxes, interest or penalties related to uncertain tax positions. The Society estimates the unrecognized tax benefit will not change significantly within the next twelve months.

2. Promises to give:

Unconditional promises to give at December 31, 2021 and 2020 are comprised of the following:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 142,539	\$ 284,250
Receivable in one to five years	<u>200,667</u>	<u>423,853</u>
Total unconditional promises to give	343,206	708,103
Less present value adjustment	<u>5,773</u>	<u>8,357</u>
Net unconditional promises to give	<u>\$ 337,433</u>	<u>\$ 699,746</u>

THE CLEVELAND SOCIETY FOR THE BLIND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2021 AND 2020

3. Line of credit:

The Society has a line of credit with a bank, secured by unrestricted endowment investments which provides for maximum borrowing of \$1,000,000 through June 30, 2022. The credit agreement requires monthly payments of interest at prime (3.25% at December 31, 2021 and 2020) plus 0.75%. There were no amounts outstanding on the line of credit at December 31, 2021 or 2020. The agreement includes covenants which require, among other considerations, annual audited financial statements.

4. Fair value:

Financial and nonfinancial assets and liabilities are required to be remeasured on an annual basis. Fair value is 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 (exit price) and establishes a fair value hierarchy based upon the inputs used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities (for example, exchange quoted prices).

Level 2 – Inputs to the valuation methodology are observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not sufficiently active to qualify as Level 1, other observable inputs, or inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs to the valuation methodology are significant to the fair value measurement and unobservable (for example, supported by little or no market activity).

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Society's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The Society's investments, beneficial interest and common collective trusts accounted for at fair value at December 31, 2021 and 2020 are summarized below:

<u>December 31, 2021</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents:				
Money market funds	\$ 5,849,163	\$ 5,849,163		
Debt securities:				
Treasury securities	19,359,241	19,359,241		
Corporate bonds	<u>4,249,589</u>	<u>4,249,589</u>		
	23,608,830	23,608,830		

THE CLEVELAND SOCIETY FOR THE BLIND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2021 AND 2020

4. Fair value (continued):

<u>December 31, 2021</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities:				
Basic industry	11,225,202	11,225,202		
Capital goods	11,926,778	11,926,778		
Consumer cyclical	9,120,477	9,120,477		
Consumer staples	3,507,876	3,507,876		
Energy and utilities	8,418,902	8,418,902		
Financial	9,822,052	9,822,052		
Technology	<u>16,136,227</u>	<u>16,136,227</u>		
	70,157,514	70,157,514		
Beneficial interest trusts	20,423,306		\$ 20,423,306	
Common collective trusts	<u>472,161</u>		<u>472,161</u>	
	<u>20,895,467</u>		<u>20,895,467</u>	
Net assets in fair value hierarchy	120,496,055	<u>\$ 99,600,588</u>	<u>\$ 20,895,467</u>	<u>\$</u>
Investments reported at net asset value (common fund) (A)	<u>46,589</u>			
	<u>\$120,542,644</u>			
 <u>December 31, 2020</u>	 <u>Fair Value</u>	 <u>Level 1</u>	 <u>Level 2</u>	 <u>Level 3</u>
Cash and cash equivalents:				
Money market funds	\$ 2,385,846	\$ 2,385,846		
Debt securities:				
Treasury securities	17,254,995	17,254,995		
Corporate bonds	<u>6,031,098</u>	<u>6,031,098</u>		
	23,286,093	23,286,093		
Equity securities:				
Basic industry	9,582,974	9,582,974		
Capital goods	10,834,248	10,834,248		
Consumer cyclical	8,242,366	8,242,366		
Consumer staples	3,427,669	3,427,669		
Energy and utilities	7,659,463	7,659,463		
Financial	7,945,369	7,945,369		
Technology	<u>13,098,710</u>	<u>13,098,710</u>		
	60,790,799	60,790,799		

THE CLEVELAND SOCIETY FOR THE BLIND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2021 AND 2020

4. Fair value (continued):

<u>December 31, 2020</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest trusts	18,435,698		\$ 18,435,698	
Common collective trusts	<u>431,746</u>		<u>431,746</u>	
	<u>18,867,444</u>		<u>18,867,444</u>	
Net assets in fair value hierarchy	105,330,182	<u>\$ 86,462,738</u>	<u>\$ 18,867,444</u>	<u>\$</u>
Investments reported at net asset value (common fund) (A)	<u>77,075</u>			
	<u>\$105,407,257</u>			

(A) In accordance with Subtopic 820-10, investments that are measured at net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2021 and 2020. There have been no changes between the methodologies used at December 31, 2021 and 2020.

The cash and cash equivalents, debt securities and equity securities are valued at the quoted market prices in active markets of shares held by the Society at year end.

The fair value of the common collective trusts are valued based on the unit value of the funds. Unit values are determined by the trust companies sponsoring such fund by dividing the fund's net assets at fair value by its units outstanding at the valuation dates. The net asset value is used as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the funds will sell the investment for an amount different from the reported net asset value. Participant transactions (purchases and sales) may occur daily.

The beneficial interest trusts are valued at the fair value of the assets contributed to the trust, which is estimated to approximate the present value of expected future distributions from the trusts.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date.

THE CLEVELAND SOCIETY FOR THE BLIND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2021 AND 2020

5. **Endowments:**

The Society's endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The management and Board of Trustees of the Society have interpreted the Unified Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Ohio, 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 Society classifies as net assets with donor restrictions (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.

In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Society, and (7) the Society's investment policies.

Investment return objectives, risk parameters, and strategies:

The Society has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes cash, equity and debt securities that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Therefore, the Society expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending policy:

The Society has a policy of appropriating for distribution each year 5% of its board designated and permanently restricted endowment fund's average fair value of the prior 36 months ending September 30th preceding the fiscal year in which the distribution is planned. In establishing this policy, the Society considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Society expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3% annually. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. As a result of its spending policy the Society transferred \$1,325,104 during 2021 and \$2,400,127 during 2020.

THE CLEVELAND SOCIETY FOR THE BLIND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2021 AND 2020

5. Endowments (continued):

Endowment net asset composition by the type of fund as of December 31, 2021 and 2020 are as follows:

	2021	2020
Net assets without donor restrictions	\$ 55,497,574	\$ 49,130,126
Net assets with donor restrictions	63,554,515	56,277,131
	\$119,052,089	\$105,407,257

Changes in endowment net assets for the years ended December 31, 2021 and 2020 are as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<u>December 31, 2021</u>			
Endowment assets, beginning of year	\$ 49,130,126	\$ 56,277,131	\$105,407,257
Investment return:			
Earnings from beneficial trusts		1,694,007	1,694,007
Investment income	10,257,371	8,302,853	18,560,224
Net depreciation	(3,157,600)	(568,318)	(3,725,918)
	7,099,771	9,428,542	16,528,313
Appropriation of beneficial trusts for expenditure		(1,694,007)	(1,694,007)
Appropriation of endowment assets for expenditure	(732,323)	(592,781)	(1,325,104)
Annuity		13,410	13,410
Contributions		122,220	122,220
Endowment assets, end of year	\$ 55,497,574	\$ 63,554,515	\$119,052,089

THE CLEVELAND SOCIETY FOR THE BLIND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2021 AND 2020

5. Endowments (continued):

<u>December 31, 2020</u>	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	<u>Total</u>
Endowment assets, beginning of year	\$ 44,741,142	\$ 52,069,457	\$ 96,810,599
Investment return:			
Earnings from beneficial trusts		1,670,840	1,670,840
Investment income	5,266,171	4,262,715	9,528,886
Net appreciation (realized and unrealized)	<u>255,322</u>	<u>1,020,140</u>	<u>1,275,462</u>
Appropriation of beneficial trusts for expenditure	5,521,493	6,953,695 (1,670,840)	12,475,188 (1,670,840)
Appropriation of endowment assets for expenditure	(1,326,438)	(1,073,689)	(2,400,127)
Annuity		(16,485)	(16,485)
Contributions	<u>193,929</u>	<u>14,993</u>	<u>208,922</u>
Endowment assets, end of year	<u>\$ 49,130,126</u>	<u>\$ 56,277,131</u>	<u>\$105,407,257</u>

6. Split interest agreements:

Charitable gift annuities and charitable remainder trusts:

The Society is the beneficiary of several charitable gift annuities and a charitable remainder trust that are managed by third-party trustees. The assets held in trust are recorded at fair value at the date of initial recognition. During 2021, the Society received a charitable gift annuity in the amount of \$30,000. At December 31, 2021 and 2020, total assets of \$472,161 and \$431,746, respectively, were held by the Society, which are included in investments on the statements of financial position.

Under the terms of the trust agreements, designated beneficiaries are to receive regular payments from the trust assets for the beneficiaries' remaining life. Upon death of the beneficiaries, the assets are to be retained for the Society's use. At December 31, 2021 and 2020, liabilities of \$180,336 and \$163,746, respectively, were recognized as obligations under annuity agreements. The liabilities represent the present value of the expected beneficiary payments calculated based on the estimated life of the beneficiary and a discount rate. The discount rates used to calculate the present value range from 2.7% to 9.8%.

THE CLEVELAND SOCIETY FOR THE BLIND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2021 AND 2020

6. Split interest agreements (continued):

Beneficial interest trusts:

The Society is the beneficiary of a number of perpetual trusts held by banks from which trust income is received annually for the Society's use. The assets are held by third-party trustees. Under the terms of the trusts, the Society has the irrevocable right to receive a certain percentage of the income earned on the trust assets in perpetuity. As of December 31, 2021 and 2020, assets of \$20,423,306 and \$18,435,698, respectively, were held in trust funds, and are included with assets with donor restrictions. The assets are recorded at fair value, which is estimated to approximate the present value of expected future distributions from the trusts. The change in value of the perpetual trusts is recognized as revenue in the statements of activities and changes in net assets.

7. Defined contribution retirement plans:

The Society sponsors a defined contribution retirement plan under Internal Revenue Code 401(k) that covers essentially all employees. Employer's matching and nonelective contributions to the plan and corresponding expenses amounted to \$202,623 in 2021 and \$129,628 in 2020.

The Society sponsors a 403(b) retirement plan, which was frozen in 1997. Since the plan was frozen, no contributions were made since then.

8. Contingencies:

Grants, bequests, and endowments require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Management believes the Society has fulfilled the conditions set forth within all grant instruments.

9. Net assets with donor restrictions:

Net assets with donor restrictions are detailed as follows as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Restricted according to split-interest agreements	\$ 311,188	\$ 268,000
For use within the Society's various program services	435,789	751,283
Endowment	<u>63,554,515</u>	<u>56,277,131</u>
	<u>\$ 64,301,492</u>	<u>\$ 57,296,414</u>

THE CLEVELAND SOCIETY FOR THE BLIND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2021 AND 2020

10. COVID-19/Pandemic:

The COVID-19 pandemic has created economic uncertainties, which has contributed to significant volatility for businesses including non-profit entities. Consequently, there is and will continue to be uncertainty and risk with respect to the Society and its financial results that may have continuing adverse consequences for an extended period of time. As a result, the Society received significant funds from the Small Business Administration's (SBA) Paycheck Protection Program (PPP) forgivable loan program and rebates from the Ohio Bureau of Workers' Compensation program during 2020. This funding was provided to assist with ongoing operations of the Society. Management has, and will continue to, monitor the situation and make changes to its operations in an attempt to minimize any future financial impact.

During 2021, the Society received a second forgivable loan from SBA's PPP totaling \$1,247,158. The Society applied and received an approval for loan forgiveness from the financial institution and the SBA during 2021. Since the Society received approval for loan forgiveness, \$1,247,158 is recognized as income in the 2021 statement of activities and changes in net assets as income from forgivable loan.

During 2020, the Society received a forgivable loan from the SBA's PPP totaling \$1,409,300 and had applied for and received loan forgiveness from the financial institution and the SBA during 2020. The loan funds were provided from the provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and are forgivable by the SBA, if amounts are used for eligible payroll costs and other eligible expenses as defined in the CARES Act and other SBA related issued guidance. Since the Society received approval for loan forgiveness, \$1,409,300 is recognized as income in the 2020 statement of activities and changes in net assets as income from forgivable loan.

During 2020, the Society received three different rebates from the Ohio Bureau of Workers' Compensation program totaling \$192,939. These amounts are recorded in other revenue in the statements of activities and changes in net assets.

11. Subsequent events:

The Society has evaluated subsequent events through March 28, 2022, the date the financial statements were available to be issued.