

**THE CLEVELAND SOCIETY
FOR THE BLIND**

FINANCIAL REPORT

DECEMBER 31, 2025



THE CLEVELAND SOCIETY FOR THE BLIND
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Independent Auditors' Report

To the Board of Directors
The Cleveland Society for the Blind
Cleveland, Ohio

Opinion

We have audited the financial statements of The Cleveland Society for the Blind (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Cleveland Society for the Blind as of December 31, 2025, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' 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 audit. 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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but it is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 GAAS, 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.

Meloney + Novotny LLC

Cleveland, Ohio
March 20, 2026

THE CLEVELAND SOCIETY FOR THE BLIND

STATEMENT OF FINANCIAL POSITION

December 31, 2025

ASSETS

Cash and equivalents	\$ 1,713,130
Accounts receivable, net of allowance for credit losses of \$19,849	795,715
Promises to give	1,063,283
Inventories and prepaid expenses	186,531
Investments	146,670,865
Split-interest agreements	171,019
Beneficial interest trusts	20,326,942
Property and equipment, net	<u>9,784,781</u>
Total assets	<u>\$180,712,266</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 225,383
Accrued expenses	621,049
Obligations under split-interest agreements	41,779
Refundable advances	<u>11,332</u>
Total liabilities	899,543

NET ASSETS

Without donor restrictions	91,706,692
With donor restrictions	<u>88,106,031</u>
Total net assets	<u>179,812,723</u>

Total liabilities and net assets	<u>\$180,712,266</u>
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The accompanying notes are an integral part of these financial statements.

THE CLEVELAND SOCIETY FOR THE BLIND

STATEMENT OF ACTIVITIES

Year Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Program service fees	\$ 4,951,451		\$ 4,951,451
Retail sales	361,397		361,397
Contributions and grants	4,707,210	\$ 1,380,263	6,087,473
Fundraising	154,050		154,050
Other revenue	90,197		90,197
Investment return designated for operations	4,057,084		4,057,084
Earnings from beneficial trusts	1,780,459		1,780,459
Net assets released from restrictions	1,260,806	(1,260,806)	-
Total revenue, gains, and other support	<u>17,362,654</u>	<u>119,457</u>	<u>17,482,111</u>
OPERATING EXPENSES			
Program services	11,966,695		11,966,695
Management and general	1,474,388		1,474,388
Fundraising	758,201		758,201
Total operating expenses	<u>14,199,284</u>		<u>14,199,284</u>
CHANGES IN NET ASSETS FROM OPERATIONS	3,163,370	119,457	3,282,827
OTHER CHANGES TO NET ASSETS			
Investment return in excess of amount designated for operations	10,351,737	3,570,983	13,922,720
Change in value of split-interest agreements		115,989	115,989
Change in value of beneficial trusts		1,772,054	1,772,054
Loss on sale of assets held for sale	(28,773)		(28,773)
Gain on disposal of property and equipment	59,671		59,671
Total other changes to net assets	<u>10,382,635</u>	<u>5,459,026</u>	<u>15,841,661</u>
CHANGES IN NET ASSETS	13,546,005	5,578,483	19,124,488
NET ASSETS – BEGINNING OF YEAR (AS RECLASSIFIED)	<u>78,160,687</u>	<u>82,527,548</u>	<u>160,688,235</u>
NET ASSETS – END OF YEAR	<u>\$ 91,706,692</u>	<u>\$ 88,106,031</u>	<u>\$179,812,723</u>

The accompanying notes are an integral part of these financial statements.

THE CLEVELAND SOCIETY FOR THE BLIND

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2025

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses	\$ 8,857,195	\$ 1,119,568	\$ 533,323	\$10,510,086
Professional and contracted fees	1,392,887	174,164	82,966	1,650,017
Depreciation	476,957	60,288	28,719	565,964
Occupancy	570,053	72,056	34,325	676,434
Cost of retail sales	287,395			287,395
Supplies and related	246,395	31,145	14,836	292,376
Other	90,990	11,501	5,479	107,970
Events and marketing			55,854	55,854
Staff travel	29,849	3,773	1,797	35,419
Program transportation	<u>14,974</u>	<u>1,893</u>	<u>902</u>	<u>17,769</u>
Total operating expenses	<u>\$11,966,695</u>	<u>\$ 1,474,388</u>	<u>\$ 758,201</u>	<u>\$14,199,284</u>

The accompanying notes are an integral part of these financial statements.

THE CLEVELAND SOCIETY FOR THE BLIND

STATEMENT OF CASH FLOWS

Year Ended December 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 19,124,488
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	565,964
Gain on disposal of property and equipment	(59,671)
Loss on sale of asset held for sale	28,773
Realized and unrealized gains on investments, net	(15,082,241)
Change in value of beneficial trusts	(1,772,054)
Contributions restricted for long-term investments	(213,719)
Changes in operating assets and liabilities:	
Accounts receivable, net	(62,349)
Promises to give	(131,176)
Inventories and prepaid expenses	6,687
Accounts payable	(376,902)
Accrued expenses	22,845
Refundable advances	(819)
Net cash provided by operating activities	<u>2,049,826</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	8,385,286
Purchase of investments	(11,291,746)
Proceeds from termination of split-interest agreement	219,569
Purchase of property and equipment	(168,576)
Proceeds from sale of property and equipment	123,820
Proceeds from sale of assets held for sale	715,023
Net cash used in investing activities	<u>(2,016,624)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions received for long-term investments	213,719
Payments on split-interest obligations	(115,989)
Net cash provided by financing activities	<u>97,730</u>
NET CHANGE IN CASH AND EQUIVALENTS	130,932
CASH AND EQUIVALENTS – BEGINNING OF YEAR	<u>1,582,198</u>
CASH AND EQUIVALENTS – END OF YEAR	<u><u>\$ 1,713,130</u></u>

The accompanying notes are an integral part of these financial statements.

THE CLEVELAND SOCIETY FOR THE BLIND

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

- A. Nature of Activities – The Cleveland Society for the Blind (the "Society"), also known as Cleveland Sight Center, is a private not-for-profit (Ohio) Corporation formed in 1906 to provide services to children, working-age adults, and older adults 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, income generated through a social enterprise, and program service fees. The Society's mission is to provide individualized support and tools to navigate the visual world. The Society's vision is a world where the quality of one's sight does not determine the quality of one's life.
- B. Accounting Method – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Society has reported 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 represent net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Society. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors. Such net assets are recorded as board designated.

Net assets with donor restrictions are the result from timing differences between the receipt of funds and the incurrence of the related expenses. Also, they represent endowment funds which are subject to the restriction of the donors that the principal be invested in perpetuity and only the income be utilized. The Society reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, donor-restricted contributions and investment earnings whose restrictions are met in the same period are reported as net assets without donor restrictions.

- C. Adoption of New Accounting Standard – As of January 1, 2025, the Society adopted Accounting Standards Update No. 2025-05, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. This amendment provides (1) all entities with a practical expedient and (2) entities other than public business entities with an accounting policy election when estimating expected credit losses for current accounts receivable and contract assets arising from transactions accounted for under Topic 606, *Revenue from Contracts with Customers*. The practical expedient allows the Society to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. The accounting policy election allows the Society to consider collection activity after the balance sheet date when estimating expected credit losses. The Society adopted both the practical expedient and accounting policy election prospectively, which did not have a material impact on the financial statements.
- D. Cash and Equivalents – The Society considers all highly-liquid investments with an initial maturity of three months or less when purchased to be cash equivalents, except where such cash equivalents are held as part of a long-term investment strategy.

THE CLEVELAND SOCIETY FOR THE BLIND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

- E. Accounts Receivable – The Society's receivables are derived from customers, government entities, and financial institutions. Accounts receivable are recorded as performance obligations are satisfied and are expected to be received within 30 days from the date billed. Interest is not charged on past due receivables. At December 31, 2025, receivables due from government entities totaled \$627,307. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

The allowance for credit loss is derived from a review of the Society's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts, and any other factors deemed relevant by the Society. The Society provides for uncollectible amounts on a pooled basis where similar risk characteristics exist or individually if the receivable does not share similar risk characteristics. If amounts become uncollectible, they are charged to operations when that determination is made. The Society has elected the practical expedient to assume that current conditions as of the balance sheet date do not change for the remaining life of the receivables.

Contract liabilities represent the overpayments made by customers, government entities, and financial institutions. There were no contract liabilities as of December 31, 2025. The opening balance of receivables at January 1, 2025 recorded in accordance with FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* was \$733,366.

- F. Promises to Give – The Society recognizes contributions as revenue in the period in which the promise to give is received, unconditionally, at fair value. Conditional contributions are recognized as revenue when the conditions on which they depend have been met. Promises to give expected to be collected in future years are recorded at the present value of their estimated future cash flows. At December 31, 2025, all receivables are due within one year. Based on management's assessment of collection history with its donors, an allowance is not deemed necessary as of December 31, 2025.
- G. 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.
- H. Investments – Investments are stated at fair value. Investment return includes realized gains and losses, interest, and dividends, net of investment fees and are reported within the statement of activities, and are recognized in the accounting periods in which they occur. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the statement of financial position and the statement of activities.
- I. Split-Interest Agreements – 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. No new gift annuities were received during 2025. At December 31, 2025, total assets of \$171,019 were held by the Society.

THE CLEVELAND SOCIETY FOR THE BLIND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Split-Interest Agreements (Continued)

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. As of December 31, 2025, liabilities of \$41,779 were recognized as obligations under split-interest agreements in the statement of financial position. 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%.

J. 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 and, thus, are included within net assets with donor restrictions. Income earned on the trust assets is recorded as earnings from beneficial trusts within operating revenue in the statement of activities. 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 non-operating revenue in the statement of activities.

K. Property and Equipment – Property and equipment are recorded at their cost if purchased by the Society or fair value if received by donation. Costs for repairs and maintenance expenses that do not extend the useful life of the assets are expensed when paid. Major improvements are capitalized. 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:

Land improvements	5-30 years
Buildings and improvements	5-50 years
Equipment, furniture, and fixtures	2-10 years

Property and equipment at December 31, 2025 consisted of the following:

Land and land improvements	\$ 1,699,076
Buildings and improvements	14,401,730
Equipment, furniture, and fixtures	<u>1,389,744</u>
	17,490,550
Less: accumulated depreciation	<u>(7,705,769)</u>
Property and equipment, net	<u><u>\$ 9,784,781</u></u>

THE CLEVELAND SOCIETY FOR THE BLIND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

- L. Revenue Recognition – The Society generates revenue primarily by providing services to clients who are blind or visually-impaired, which include vision rehabilitation services, support services, employment services, and children's learning services. Revenue is recognized at a point in time when services are provided. Services are billed to third-party payors which include various government agencies. Revenue from certain government contract agreements is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements. Once the goods and services are provided by the Society and allowable costs are incurred, revenue is recognized as performance obligations are satisfied and amounts become reimbursable in accordance with the terms of the underlying agreements. Approximately 37% of program service revenue was derived from two state government agencies for the year ended December 31, 2025.

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.

Support from unconditional contributions and grants is recorded in the period received as revenue 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 in the statement of activities. Conditional contributions and grants are not recognized until they become unconditional, that is when the conditions on which they depend are met. Contributions of assets other than cash are recorded at their estimated fair market value. Fundraising and other revenue are recognized at a point in time when performance obligations have been met.

- M. Functional Expenses – The financial statements report certain categories of expenses that are attributable to both the program services function and the supporting services functions of the Society. Expenses are charged to functional areas based on specific identification when possible. Expenses that cannot be specifically identified to a function are allocated to the functional area based on management's analysis of employee time spent within each functional area.
- N. 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.
- O. Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- P. Tax Status – The Society operates as an Ohio nonprofit charitable corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in these financial statements. The Society believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. The Society's income tax years from December 31, 2022 and thereafter remain subject to examination by the Internal Revenue Service, as well as various state and local taxing authorities.

THE CLEVELAND SOCIETY FOR THE BLIND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

Q. Subsequent Events – The Society has evaluated all events subsequent to the statement of financial position date of December 31, 2025, through March 20, 2026, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure.

R. Concentrations of Credit Risk – Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash and investment securities. The Society places its cash with creditworthy, high-quality financial institutions. Cash balances, at times, may exceed federally-insured limits; however, the Society has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk.

A substantial portion of the Society's assets is invested in marketable securities. The investments are managed by investment advisors who are monitored by the Board of Directors. Though market value of investments is subject to fluctuations, the Board of Directors believes that the investment policy is prudent for the long-term welfare of the Society.

S. Prior Period Adjustment – During the year ended December 31, 2025, the Society reviewed the donor stipulations associated with certain net asset balances and determined that a portion previously reported as net assets with donor restrictions should be reported as net assets without donor restrictions. Accordingly, the Society reclassified \$3,988,609 of beginning net assets between these categories. This reclassification had no impact on total beginning net assets or on the change in net assets for the current period.

Note 2. Fair Value

The Society estimates the fair value of financial instruments using available market information and other generally accepted valuation methodologies. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are classified into three levels:

Level 1 – Quoted prices in active markets for identical assets and liabilities.

Level 2 – Observable market-based inputs or observable inputs that are corroborated by market data.

Level 3 – Unobservable inputs in which little or no market data exists.

Following is a description of the valuation methodologies used for assets measured at fair value:

Money market funds, treasury securities, corporate bonds, and equity securities are valued at the quoted market prices in active markets of shares held by the Society at year end and are classified as Level 1.

Pooled investments consistent of funds held at a community foundation. The fair value of the pooled investments is based on the value of the underlying assets, which consist primarily of investments considered to be Level 1 inputs. There is not an active market for the pooled investments; however, the Society does have access to these funds as deemed necessary by the Society. As a result, pooled investments are classified as Level 2.

Split interest agreements are valued based on the unit value of the funds and are classified as Level 2.

THE CLEVELAND SOCIETY FOR THE BLIND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2. Fair Value (Continued)

Beneficial interests in trusts are recorded at the present value of the projected net future cash flows to be received, based on current market interest rates. This type of asset has no readily determinable exit price due to legal constraints and, therefore, is considered to be a Level 3 input. Total gains recognized on Level 3 fair value measurements for the year ended December 31, 2025 were \$1,888,043 and are included in other changes to net assets in the statement of activities. There were no transfers into or out of Level 3 during the periods presented. The Society's policy is to recognize transfers in and out of the fair value hierarchy as of the actual date of the event or change in circumstance that caused the transfer. The Society is a private entity and, in accordance with ASC 820, is not required to present a rollforward of Level 3 fair value measurements.

There have been no changes in the methodologies used from 2024 to 2025. The following table presents the financial instruments carried at fair value, on a recurring basis, as of December 31, 2025:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 4,872,223			\$ 4,872,223
Treasury securities	28,815,551			28,815,551
Corporate bonds	10,648,929			10,648,929
Equity securities	101,027,126			101,027,126
Pooled investments		\$ 1,307,036		1,307,036
Total investments	145,363,829	1,307,036		146,670,865
Split-interest agreements		171,019		171,019
Total assets in the fair value hierarchy	<u>\$145,363,829</u>	<u>\$ 1,478,055</u>	<u>\$ -</u>	<u>\$146,841,884</u>
Beneficial interest trusts			<u>\$20,326,942</u>	<u>\$ 20,326,942</u>

Note 3. Endowment

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

The State of Ohio has passed a version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Society 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 Society classifies as net assets with perpetual 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. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard prudence prescribed by UPMIFA.

THE CLEVELAND SOCIETY FOR THE BLIND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3. Endowment (Continued)

In accordance with UPMIFA, the Society will consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Society and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and appreciation of investments
- (6) Other resources of the Society
- (7) The investment policies of the Society

Investment and spending policies: The Society has adopted investment and spending policies, approved by the Board of Directors, for its endowment assets. These policies are designed to provide a predictable stream of funding to programs supported by the endowment while preserving the long-term purchasing power of the endowment assets.

The investment strategy seeks to achieve an after-cost total real rate of return, inclusive of investment income and capital appreciation, that exceeds the annual distribution rate while maintaining an acceptable level of risk. Endowment assets are invested in a well-diversified portfolio intended to generate a consistent, inflation-protected rate of return with sufficient liquidity to support an annual distribution of 5%, while allowing for long-term growth of the endowment when possible. Actual investment returns may vary from year to year. Investment risk is evaluated at the total endowment fund level, and asset allocation decisions are made to avoid exposure to unacceptable levels of risk.

The Society's spending policy provides for an annual distribution of 5% of the 36-month average fair value of endowment funds, calculated as of September 30 preceding the fiscal year in which the distribution is made. 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, and the potential 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, supporting the objective to maintain purchasing power while providing additional real growth through new gifts and investment returns.

Endowment net asset composition by type of fund is as follows as of 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor endowment funds:			
Endowment funds restricted in perpetuity		\$ 16,554,033	\$ 16,554,033
Accumulated investment gains		28,086,396	28,086,396
		<u>44,640,429</u>	<u>44,640,429</u>
Board designated endowment	<u>\$ 73,108,701</u>		<u>73,108,701</u>
Endowment assets, end of year	<u>\$ 73,108,701</u>	<u>\$ 44,640,429</u>	<u>\$117,749,130</u>

THE CLEVELAND SOCIETY FOR THE BLIND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3. Endowment (Continued)

The following tables summarize the changes in the endowment funds during 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year (as reclassified)	\$ 61,494,032	\$ 40,855,727	\$102,349,759
Investment return:			
Investment income	2,352,490	1,112,705	3,465,195
Net appreciation	7,675,731	3,219,112	10,894,843
	<u>10,028,221</u>	<u>4,331,817</u>	<u>14,360,038</u>
Contributions	4,882,698	213,719	5,096,417
Appropriation of endowment assets for expenditure	<u>(3,296,250)</u>	<u>(760,834)</u>	<u>(4,057,084)</u>
Endowment assets, end of year	<u>\$ 73,108,701</u>	<u>\$ 44,640,429</u>	<u>\$117,749,130</u>

Note 4. Net Assets

Net assets without donor restrictions include net assets that have been designated by the Board of Directors. These funds can be utilized by the Society by special authorization by the Board of Directors, or through the Board approved budget and spending process. Board designated endowment as of December 31, 2025 is \$73,108,701.

As of December 31, 2025, net assets with donor restrictions relate to the following:

Subject to spending policy and appropriation:		
Endowment funds restricted in perpetuity		\$ 16,554,033
Accumulated investment gains		28,086,396
		<u>44,640,429</u>
Not subject to spending policy and appropriation:		
Beneficial interest trusts		20,326,942
Split-interest agreements		129,240
		<u>20,456,182</u>
Subject to expenditure for a specified purpose or passage of time:		
Program support		114,181
Independent living		21,831,956
Promises to give		1,063,283
		<u>23,009,420</u>
		<u>\$ 88,106,031</u>

THE CLEVELAND SOCIETY FOR THE BLIND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5. Financial Assets and Liquidity

The Society regularly monitors liquidity required to meet its operating needs. It manages its cash available to meet general expenditure following three guidelines:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term commitments and obligations will be met.

The Society also receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments can be used to fund programs as needed within the Society's spending policy guidelines. In addition, the Society receives contributions without donor restrictions; such gifts have historically supported annual funding needs.

The following table reflects the Society's financial assets as of December 31, 2025:

Financial assets:	
Cash and equivalents	\$ 1,713,130
Accounts receivable, net	795,715
Promises to give	1,063,283
Investments	<u>146,670,865</u>
Financial assets, at year-end	150,242,993
Less those not available for general expenditures within one year:	
Promises to give - board designated endowment	(800,000)
Endowment funds restricted in perpetuity and accumulated investment gains	(44,640,429)
Board designated endowment	(73,108,701)
Subject to expenditure for a specified purpose	(21,946,137)
Add earnings from beneficial interest trusts	1,752,000
Add endowment spending rate appropriation	<u>4,643,710</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 16,143,436</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. As of December 31, 2025, the Society has board designated funds of \$73,108,701. Although the Society does not intend to spend from these funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts could be made available if necessary.

THE CLEVELAND SOCIETY FOR THE BLIND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 6. 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 \$344,185 in 2025.