

**LIGHTHOUSE FOR THE BLIND AND
VISUALLY IMPAIRED**

SEPTEMBER 30, 2022

INDEPENDENT AUDITORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

Lighthouse for the Blind and Visually Impaired

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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of **LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED (the Lighthouse)** which comprise the consolidated statement of financial position as of September 30, 2022, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Lighthouse as of September 30, 2022, 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 Consolidated Financial Statements section of our report. We are required to be independent of the Lighthouse 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lighthouse's ability to continue as a going concern for one year from the date of this report.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 for 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 consolidated 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 consolidated 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 consolidated 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 Lighthouse'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lighthouse'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.

Report on Summarized Comparative Information

We have previously audited the Lighthouse's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
February 2, 2023

Lighthouse for the Blind and Visually Impaired

Consolidated Statement of Financial Position

<i>September 30, 2022 (with comparative totals for 2021)</i>	2022	2021
Assets		
Cash and cash equivalents	\$ 8,189,185	\$ 1,844,175
Receivables	1,450,368	1,466,874
Prepaid expenses and other assets	755,963	727,852
Inventory	1,191,939	1,010,052
Investments	116,298,809	152,245,495
Notes receivable	11,630,500	11,630,500
Investment in real estate	22,638,523	22,962,332
Property and equipment, net	75,805,336	63,230,225
Interest rate swap	5,385,812	1,166,506
Total Assets	\$ 243,346,435	\$ 256,284,011
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 4,905,414	\$ 2,601,332
Accrued salaries and benefits	593,716	592,383
Deferred revenue		229,245
Line of credit	15,912,492	3,350,000
Loans payable	47,524,000	48,544,000
Total liabilities	68,935,622	55,316,960
Net Assets:		
Without donor restrictions:		
Undesignated	57,471,244	48,309,914
Board-designated net assets	116,298,809	152,245,495
Total net assets without donor restrictions	173,770,053	200,555,409
With donor restrictions	640,760	411,642
Total net assets	174,410,813	200,967,051
Total Liabilities and Net Assets	\$ 243,346,435	\$ 256,284,011

See accompanying notes to the consolidated financial statements.

Lighthouse for the Blind and Visually Impaired
Consolidated Statement of Activities and Changes in Net Assets

Year Ended September 30, 2022 (with comparative totals for 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Operating:				
Revenue and support:				
Government grants	\$ 1,792,913		\$ 1,792,913	\$ 1,596,696
Sales	2,920,352		2,920,352	3,981,174
Contributions and gifts	7,884,083	\$ 929,781	8,813,864	1,389,228
Program service fees	1,352,002		1,352,002	908,422
Other	519,914		519,914	465,656
Net assets released from restrictions	700,663	(700,663)	-	-
Total revenue and support	15,169,927	229,118	15,399,045	8,341,176
Expenses:				
Program services	14,833,008		14,833,008	14,551,748
Management and general	4,676,320		4,676,320	3,808,417
Development	1,308,633		1,308,633	1,192,515
Total expenses	20,817,961	-	20,817,961	19,552,680
Change in net assets from operations	(5,648,034)	229,118	(5,418,916)	(11,211,504)
Non-Operating:				
Investment (loss) income, net of expenses	(24,966,783)		(24,966,783)	30,411,705
(Loss) gain on sale of property and equipment	(389,845)		(389,845)	4,372,490
Change in the value of interest rate swap	4,219,306		4,219,306	1,770,882
Change in Net Assets	(26,785,356)	229,118	(26,556,238)	25,343,573
Net Assets, beginning of the year	200,555,409	411,642	200,967,051	175,623,478
Net Assets, end of the year	\$ 173,770,053	\$ 640,760	\$ 174,410,813	\$ 200,967,051

See accompanying notes to the consolidated financial statements.

Lighthouse for the Blind and Visually Impaired

Consolidated Statement of Functional Expenses

Year Ended September 30, 2022 (with comparative totals for 2021)

	2022								2021 Total
	Program Services				Supporting Services				
	Community and Information	Rehabilitation Services	LightHouse Enterprises	Total	Management and General	Development	Total		
Personnel	\$ 2,245,975	\$ 3,582,697	\$ 2,036,114	\$ 7,864,786	\$ 2,021,187	\$ 795,586	\$ 10,681,559	\$ 9,208,489	
Program costs	222,372	381,333	30,405	634,110	28,159	5,755	668,024	956,635	
Cost of goods sold			679,372	679,372			679,372	1,928,250	
Occupancy	159,881	209,705	44,577	414,163	49,232	17,376	480,771	759,222	
Depreciation and amortization	993,013	642,797	777,932	2,413,742	437,102	154,271	3,005,115	2,687,590	
Outside services	360,898	286,623	121,316	768,837	646,648	204,460	1,619,945	1,504,230	
Postage and printing	4,067	2,905	95,165	102,137	1,772	25,866	129,775	78,941	
Office supplies and equipment	219,875	95,734	352,612	668,221	86,398	46,949	801,568	196,530	
Staff training, travel and conference	30,977	82,938	17,460	131,375	20,603	11,561	163,539	73,271	
Insurance	505,449	47,472	122,786	675,707	59,376	11,358	746,441	760,685	
Telephone	82,457	56,587	40,430	179,474	27,229	9,778	216,481	186,571	
Bad debt, bank fee, interest and taxes	4,080	2,116	291,697	297,893	1,184,817	10,069	1,492,779	1,119,548	
Shipping and delivery				-			-	70,549	
Program marketing and public relations	1,123	1,410	658	3,191	104,848	15,604	123,643	11,074	
Board expenses				-	8,949		8,949	11,095	
Total expenses	\$ 4,830,167	\$ 5,392,317	\$ 4,610,524	\$ 14,833,008	\$ 4,676,320	\$ 1,308,633	\$ 20,817,961	\$ 19,552,680	

See accompanying notes to the consolidated financial statements.

Lighthouse for the Blind and Visually Impaired

Consolidated Statement of Cash Flows

<i>Year Ended September 30, 2022 (with comparative totals for 2021)</i>	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ (26,556,238)	\$ 25,343,573
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Change in the value of interest rate swap	(4,219,306)	(1,770,882)
Net realized and unrealized loss (gain) on investments	27,511,100	(28,154,241)
Depreciation and amortization	3,005,115	2,687,590
Changes in operating assets and liabilities:		
Receivables	16,506	(490,782)
Prepaid expenses and other assets	(28,083)	(562,092)
Inventory	(181,887)	(348,801)
Accounts payable and accrued expenses	2,304,054	1,223,672
Accrued salaries and benefits	1,333	9,767
Deferred revenue	(229,245)	(75,162)
Net cash provided by (used by) operating activities	1,623,349	(2,137,358)
Cash Flows from Investing Activities:		
Proceeds from the sale or maturity of investments	10,915,570	35,115,147
Purchase of investments	(2,592,675)	(30,037,324)
Distributions from investment in real estate	436,500	1,480,044
Purchase of property and equipment	(15,580,226)	(4,424,581)
Net cash used by investing activities	(6,820,831)	2,133,286
Cash Flows from Financing Activities:		
Payment on loans payable	(1,020,000)	(910,000)
Payments on line of credit		(2,430,000)
Proceeds from line of credit	12,562,492	4,750,000
Net cash provided by financing activities	11,542,492	1,410,000
Net Change in Cash and Cash Equivalents	6,345,010	1,405,928
Cash and Cash Equivalents, beginning of the year	1,844,175	438,247
Cash and Cash Equivalents, end of the year	\$ 8,189,185	\$ 1,844,175
Supplemental Information:		
Interest paid	\$ 1,148,530	\$ 755,567

See accompanying notes to the consolidated financial statements.

Lighthouse for the Blind and Visually Impaired

Notes to the Consolidated Financial Statements

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

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

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

Lighthouse receives support and revenue from a variety of sources.

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

Community and Information Services

- Community Services offers social, health promotion and educational classes for the blind. Opportunities include, yoga, dance, a book club, and many other programs. Cultural, artistic and fitness programs bring people together for social engagement and to build a community of low vision and blind people.
- Blind teens find a place where blindness is normal at LightHouse Youth Programs. Activities include adventures in the great outdoors, volunteer service and mentorship opportunities.
- A Counseling Services Program for the blind and low vision provides one-on-one counseling, peer counseling and group therapy sessions.
- The Media and Accessible Design Laboratory (MAD Lab) makes visual information accessible to people who are blind and visually impaired. The transcription team takes original copy and translates it into accessible formats, including braille, large print, and audio. An experienced team of braille certified tactile image and map designers helps corporate and governmental entities, educational institutions, and non-profit Lighthouses improve the accessibility and inclusiveness of their venues and services as well as comply with ADA signage standards and state building codes.

Vision Rehabilitation Services

- Blindness Skills provides instruction to people who are new to blindness or low vision to help them learn to use a white cane for mobility, read braille, utilize accessible technology and acquire adaptive methods for cooking and daily living.
- The LightHouse's Employment Immersion Program is a job training program specifically designed for blind and visually impaired jobseekers in the Bay Area. Our graduates have found jobs, starting them on a path of self-reliance and life fulfillment.

Lighthouse for the Blind and Visually Impaired

Notes to the Consolidated Financial Statements

- Enchanted Hills Camp for the Blind in Napa is one of the West's only camps for blind, visually impaired, deaf-blind and multi-disabled youth, adults and seniors. Enchanted Hills Camp is a place for blind campers to explore and create, gain courage, try new things and make lifelong friends.
- Deaf-Blind Services include communications equipment and training program that is open to deaf-blind individuals throughout the state. It also hosts a special Enchanted Hills Camp session specifically for the deaf-blind.

LightHouse Enterprises

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

a. Basis of Presentation and Consolidation

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

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

Net Assets Without Donor Restrictions – net assets that are not subject to donor-imposed stipulations. In addition, the Board has designated net assets of \$116,298,809 that are not restricted by donors but set aside by the Board for specific uses, including subsidizing operating deficits, capital improvements and program enhancements.

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

Lighthouse for the Blind and Visually Impaired

Notes to the Consolidated Financial Statements

b. Recognition of Revenue

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

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

Government grants

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

Sales

Sales are recognized as revenue at the time that the sale is completed.

Program service fees

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

c. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Lighthouse for the Blind and Visually Impaired

Notes to the Consolidated Financial Statements

d. Cash and Cash Equivalents

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

e. Receivables

Receivables are stated at the amount the Lighthouse's management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to bad debt expense and a credit to a valuation of its assessment of the current status of individual accounts. Management believes the entire balance of receivables is collectible, and therefore, no allowance was recorded as of September 30, 2022.

f. Investments

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

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

Investments in real estate are carried at cost.

g. Inventory

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

h. Property and Equipment

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

Lighthouse for the Blind and Visually Impaired

Notes to the Consolidated Financial Statements

i. Functional Allocation of Expenses

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

j. Income Taxes

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

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

k. Fair Value Measurements

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

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

l. Recent Accounting Pronouncement

Pronouncement Effective in the Future:

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02 - *Leases* (Topic 842). Under the ASU, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months for the rights and obligations created by those leases. The ASU is effective for fiscal years beginning after December 15, 2021. Early application will be permitted for all organizations. The Lighthouse is currently evaluating the impact of this pronouncement on its financial statements.

Lighthouse for the Blind and Visually Impaired

Notes to the Consolidated Financial Statements

m. Comparative Financial Statements

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Lighthouse's financial statements for the year ended September 30, 2021 from which the summarized information is derived.

n. Subsequent Events

The Lighthouse evaluated subsequent events for recognition and disclosure through February 2, 2023, the date which these consolidated financial statements were available to be issued. Management concluded that no material subsequent events have occurred since September 30, 2022 that require recognition or disclosure in such consolidated financial statements.

Note 2 - **Receivables:**

Receivables, due within one year, consisted of the following at September 30, 2022:

Government grants	\$	395,519
LightHouse Industries		697,752
Other		357,097
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Total	\$	1,405,368

Note 3 - **Investments:**

The following were the major categories of investments measured at fair value on a recurring basis as of September 30, 2022:

	Level 1	Level 2	Level 3	<u>Total</u>
Mutual funds - equity funds		\$ 82,848,289	\$ 82,848,289	
Mutual funds - bond funds		32,836,710		32,836,710
Money market funds	\$ 499,454			499,454
Equity investment in Accessible Inc.			\$ 114,356	114,356
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Total	\$ 499,454	\$ 115,684,999	\$ 114,356	\$ 116,298,809

Lighthouse for the Blind and Visually Impaired

Notes to the Consolidated Financial Statements

Investment Income

The following summarizes the investment income during the year ended September 30, 2022:

Interest and dividend income	\$ 2,592,676
Realized gain on investments	1,230,245
Unrealized loss on investments	(28,741,345)
Investment fees	(48,359)
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Total investment loss, net	\$(24,966,783)

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

Note 4 - Investment in Real Estate:

The Lighthouse Building LLC (the Company) is a single member LLC owned by Blind Holdings LLC. Blind Holdings LLC is owned jointly by the Lighthouse (90% owner via a single member LLC named "The Lighthouse Member LLC" (the LLC)) and 1155 Market LLC (10% owner). The Company owns the first eight floors, basement, roof and land, known as Parcel A of an eleven-story building located at 1155 Market Street, San Francisco California. Floors nine through eleven are owned by 1155 Market Street QALICB. The investment in real estate of \$22,638,523 recorded in the accompanying Consolidated Statement of Financial Position represents the 90% interest in the Company equity as of September 30, 2022 per the Company's audited financial statements. The real estate is currently leased to the City and County of San Francisco through January 31, 2023 with two extension options for five years each.

Lighthouse for the Blind and Visually Impaired

Notes to the Consolidated Financial Statements

Note 5 - Note Receivable:

On December 9, 2015, the Lighthouse entered into a loan agreement with USBCDC Investment Fund 105, LLC (“Borrower”) in the amount of \$11,630,500. The loan was entered into to obtain a New Market Tax Credit (“NMTC”) under Section 45D of the Internal Revenue Code. The Borrower used the proceeds to refinance a portion of the \$15,000,000 equity investment in the ESIC New Markets Partners LXII Limited Partnership, (the “Enterprise Community Development Entity or Enterprise CDE”) and fund a portion of the \$2,500,000 equity investment in USBCDE Sub-CDE 139, LLC, (the “USB CDE Investment”), return a portion of the capital contributions previously made by U.S. Bancorp Community Development Corporation in the amount of \$4,105,500, and pay various fees in connection with the NMTC transaction. The outstanding principal balance of the loan funds will accrue interest at a rate of 1.465827% per annum, payable quarterly. Principal payments will not become due until March 15, 2023, after the NMTC compliance period has ended, at which time the Borrower shall make a one-time payment to the Lighthouse in the amount of distributions by the Community Development Entities. The loan matures on December 9, 2045. The balance of the loan as of September 30, 2022 was \$11,630,500. The Lighthouse also earned interest from the leverage loan during the period in the amount of \$172,483 which is included in interest and dividend income in 2022.

Note 6 - Property and Equipment:

Property and Equipment consisted of the following at September 30, 2022:

Land	\$ 3,111,103
Buildings	62,431,962
Leasehold improvements	341,951
Furniture and equipment	3,862,524
Construction in progress	22,552,323
Intangibles	216,000
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	92,515,863
Less: accumulated depreciation	(16,710,527)
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Total	\$ 75,805,336

Construction in progress relates to costs incurred for the rehabilitation of Enchanted Hills Camp. Total costs of this project will be approximately \$54,300,000 and will be funded through a variety of sources, including contributions, bank financing and the proceeds from insurance and legal settlements.

Lighthouse for the Blind and Visually Impaired

Notes to the Consolidated Financial Statements

Note 7 - Debt:

The New Market Tax Credit (“NMTC”) was enacted as part of the Community Renewal Tax Relief Act of 2000 and was designed to stimulate investment in new private capital, which would in turn facilitate economic and community development in distressed communities. In connection with the NMTC transaction, on December 2, 2015, the Lighthouse entered into a loan agreement for a term loan in the amount of \$36,000,000. On April 24, 2020 the loan was refinanced and \$32,700,000 was borrowed, the proceeds of which were used to pay off the 2015 debt. The original 2015 loan accrued interest at a rate of one-month LIBOR plus 1.83% and was secured by investments held in U.S. Bank, as mentioned in Note 3. The refinanced loan bears interest at a fixed rate of 1.637%. Principal and interest payments are due monthly, and the unpaid principal and unpaid accrued interest is due upon maturity of the loan in April 2030. On September 30, 2022, the unpaid principal balance was \$30,474,000. Interest expense on the loan was \$684,578 for the year ended September 30, 2022.

In connection with the NMTC transaction, on December 2, 2015, the Lighthouse entered into two loan agreements for \$14,550,000 and \$2,500,000, respectively. Both loans are unsecured and the unpaid principal balances bear interest at the rate of 1.00% per annum. Interest only payments are due quarterly for the period from March 1, 2016 through December 1, 2022. Commencing March 1, 2023, principal and interest payments in the amounts of \$177,233 and \$30,452, respectively, are due quarterly until both notes mature on December 2, 2045. As of September 30, 2022, the combined unpaid principal balance on the notes was \$17,050,000 and combined interest payments of \$170,501 were made during the year then ended.

Both loans contain certain covenants with which the Lighthouse was in compliance with at September 30, 2022. Expect future payments are as follows:

Year ending September 30,	US Bank	NMTC	Total
2023	\$ 970,000	\$ 413,544	\$ 1,383,544
2024	1,000,000	708,932	1,708,932
2025	1,030,000	708,932	1,738,932
2026	1,060,000	708,932	1,768,932
2027	1,092,000	708,932	1,800,932
Thereafter	25,322,000	13,800,728	39,122,728
Total	30,474,000	17,050,000	47,524,000
Less: Current Portion	(970,000)		(970,000)
Non-Current Portion	\$ 29,504,000	\$ 17,050,000	\$ 46,554,000

Lighthouse for the Blind and Visually Impaired

Notes to the Consolidated Financial Statements

Line of credit

The Lighthouse has a line of credit with a bank of \$25,000,000 bearing interest at a rate of 2.00% plus Daily Simple Secured Overnight Financing Rate. The line of credit expires on April 14, 2023. The balance outstanding at September 30, 2022 is \$15,912,492.

Interest rate swap

In order to minimize the risk of interest rate movement, the Lighthouse entered into a swap agreement in conjunction with the refinancing of the 2015 loan during the year ended September 30, 2022, whereby it exchanged a variable rate of interest for a fixed rate of 0.616%.

The change in the value of the interest rate swap agreement is included in the accompanying Consolidated Statement of Activities and Changes in Net Assets. As of September 30, 2022, the value of the interest swap was \$5,385,812 as a result of a net unrealized gain during the year of \$4,219,306. Domestic and international capital markets have experienced significant volatility. As a result, fluctuations in the fair value of the interest rate swap may have occurred subsequent to September 30, 2022.

Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions are restricted by time and/or purpose and consisted of the following at September 30, 2022:

Enchanted Hills Camp	\$	267,973
Rehabilitation services		201,416
Other		171,371
<hr/>		
Total	\$	640,760

For the year ended September 30, 2022, net assets released from restriction from various donor sources consisted of the following:

Enchanted Hills Camp	\$	583,890
Rehabilitation services		23,889
Other		92,884
<hr/>		
Total	\$	700,663

Lighthouse for the Blind and Visually Impaired

Notes to the Consolidated Financial Statements

Note 9 - Operating Leases and Service Agreements:

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

For the Years Ending
September 30,

2023	\$ 691,540
2024	858,540
2025	855,000
2026	855,000
2027	855,000
Thereafter	15,317,250
<hr/>	
Total	\$ 19,433,830

Total rent expense was \$373,588 for the year ended September 30, 2022.

Note 10 - Retirement Plans:

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

During the year ended September 30, 2022, the Board approved a contribution to the plan which totaled \$280,319.

LightHouse also adopted a 457(b)-plan effective March 1, 2011. The plan is funded by employee contributions and the Lighthouse made no contributions toward this plan during the year ended September 30, 2022.

Note 11 - Contingencies:

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

Lighthouse for the Blind and Visually Impaired

Notes to the Consolidated Financial Statements

Note 12 - Availability and Liquidity:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Consolidated Statement of Financial Position date, consisted of the following at September 30, 2022:

Total financial assets	
Cash and cash equivalents	\$ 8,189,185
Receivables	1,450,368
Investments	116,298,809
	<hr/>
	125,938,362
Less:	
Board-designated net assets	(116,298,809)
Net assets with restrictions	(640,760)
	<hr/>
Financial assets available to meet general expenditures needs within one year	\$ 8,998,793

The Board of Directors allocates a portion of investment income to operations as necessary to subsidize any operating deficits.