

**Blind & Vision Rehabilitation
Services of Pittsburgh**

Consolidated Financial Statements
and Supplementary Information

Years Ended June 30, 2020 and 2019
with Independent Auditor's Report

MaherDuessel

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BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

YEARS ENDED JUNE 30, 2020 AND 2019

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Independent Auditor's Report

Board of Directors Blind & Vision Rehabilitation Services of Pittsburgh

We have audited the accompanying consolidated financial statements of Blind & Vision Rehabilitation Services of Pittsburgh (Corporation), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2020 and 2019, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Maher Duessel

Pittsburgh, Pennsylvania
December 28, 2020

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 34,165	\$ 149,329
Investments, at fair value	11,246,994	11,899,067
Grants receivable	102,662	680,896
Third-party tuition, fees, and other receivables	260,252	607,042
Promises to give	10,125	10,279
Inventories	475,607	549,405
Other assets	96,545	80,018
Note receivable	7,835,300	7,835,300
Plant and equipment, net of accumulated depreciation	16,058,415	16,641,649
Total Assets	\$ 36,120,065	\$ 38,452,985
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 113,060	\$ 147,583
Accrued liabilities	164,098	333,994
Deferred revenue	37,583	86,550
Line of credit	2,067,530	2,913,000
Loans payable	15,983,889	16,333,889
Refundable advance	181,745	-
Total Liabilities	18,547,905	19,815,016
Net Assets:		
Without donor restrictions:		
Undesignated	6,550,714	6,792,516
Invested in plant and equipment, net of related debt	5,013,415	5,596,649
Board-designated	1,676,184	1,756,896
Total without donor restrictions	13,240,313	14,146,061
With donor restrictions	4,331,847	4,491,908
Total Net Assets	17,572,160	18,637,969
Total Liabilities and Net Assets	\$ 36,120,065	\$ 38,452,985

See accompanying notes to consolidated financial statements.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Net Assets Without Donor Restrictions:		
Support and revenues:		
Service income	\$ 1,782,400	\$ 2,193,554
Sales	1,653,605	2,049,770
Donations and grants	2,052,662	1,972,744
Investment income, net	266,559	191,646
Income from trusts	151,814	223,078
Realized/unrealized gains (losses)	(214,292)	112,259
Other revenues	68,190	41,098
Net assets released from restrictions	346,433	353,032
Total support and revenues	6,107,371	7,137,181
Expenses:		
Program services:		
Industries	1,566,733	1,888,893
Rehabilitation	1,415,258	1,384,125
Vocational services	1,106,642	1,194,352
Community and support	336,584	333,876
PBA Products and Services	622,333	596,112
Total program services	5,047,550	5,397,358
Management and general Development	1,514,475	1,753,601
	451,094	442,156
Total expenses	7,013,119	7,593,115
Change in Net Assets Without Donor Restrictions	(905,748)	(455,934)
Net Assets with Donor Restrictions:		
Donations and grants	178,087	148,001
Investment income, net	112,269	108,434
Realized/unrealized gains (losses)	(103,984)	64,580
Net assets released from restrictions	(346,433)	(353,032)
Change in Net Assets With Donor Restrictions	(160,061)	(32,017)
Change in Net Assets	(1,065,809)	(487,951)
Net Assets:		
Beginning of year	18,637,969	19,125,920
End of year	\$ 17,572,160	\$ 18,637,969

See accompanying notes to consolidated financial statements.

**BLIND & VISION REHABILITATION
SERVICES OF PITTSBURGH**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Total	Program Services						Management and General	Development
		Industries	Rehabilitation	Vocational Services	Community and Support	PBA Products and Services			
Salaries and benefits	\$ 3,751,402	\$ 473,658	\$ 815,720	\$ 785,667	\$ 201,411	\$ 507,395	\$ 773,860	\$ 193,691	
Materials and supplies	1,046,125	738,217	181,279	7,097	3,291	47,672	64,097	4,472	
Special event costs	124,468	-	-	-	3,813	-	-	120,655	
Service fees	343,070	19,425	73,040	21,483	25,410	27,077	133,985	42,650	
Occupancy	214,206	12,312	14,875	24,589	13,198	8,111	141,121	-	
Meeting and travel	107,344	4,830	8,348	23,942	29,714	8,403	31,855	252	
Depreciation	687,992	162,462	159,457	105,166	31,919	12,659	174,825	41,504	
Postage and shipping	73,259	59,304	670	302	445	25	10,803	1,710	
Equipment rental	134,686	6,469	29,949	24,624	5,231	203	46,805	21,405	
Insurance	45,069	745	-	1,508	3,755	2,697	36,364	-	
Interest expense	355,117	87,991	78,501	61,011	18,397	-	84,587	24,630	
Miscellaneous	130,381	1,320	53,419	51,253	-	8,091	16,173	125	
Total	\$ 7,013,119	\$ 1,566,733	\$ 1,415,258	\$ 1,106,642	\$ 336,584	\$ 622,333	\$ 1,514,475	\$ 451,094	

See accompanying notes to consolidated financial statements.

**BLIND & VISION REHABILITATION
SERVICES OF PITTSBURGH**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services							Management and General	Development
	Total	Industries	Rehabilitation	Vocational Services	Community and Support	PBA Products and Services			
Salaries and benefits	\$ 4,076,642	\$ 523,656	\$ 847,919	\$ 903,340	\$ 191,270	\$ 456,218	\$ 930,941	\$ 223,298	
Materials and supplies	1,386,031	950,474	232,314	22,661	7,542	64,030	102,237	6,773	
Special event costs	127,892	-	-	-	7,189	-	-	120,703	
Service fees	251,413	27,707	38,839	22,191	23,120	30,016	99,701	9,839	
Occupancy	265,659	17,517	19,722	20,724	13,996	13,139	179,458	1,103	
Meeting and travel	150,393	9,160	6,008	41,328	38,398	12,193	42,874	432	
Depreciation	685,161	174,329	144,551	102,494	28,894	12,790	184,736	37,367	
Postage and shipping	76,769	68,326	765	497	833	477	3,336	2,535	
Equipment rental	123,801	12,170	16,980	16,918	1,039	1,110	58,374	17,210	
Insurance	53,799	898	-	1,819	4,528	2,698	43,856	-	
Interest expense	373,007	103,017	73,593	62,335	17,067	-	94,249	22,746	
Miscellaneous	22,548	1,639	3,434	45	-	3,441	13,839	150	
Total	\$ 7,593,115	\$ 1,888,893	\$ 1,384,125	\$ 1,194,352	\$ 333,876	\$ 596,112	\$ 1,753,601	\$ 442,156	

See accompanying notes to consolidated financial statements.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities:		
Cash received from:		
Services to trainees	\$ 2,057,761	\$ 2,158,895
Sales	1,732,697	2,027,512
Donations and grants	2,941,761	1,746,921
Investment income	530,642	523,158
Other receipts	60,527	33,751
Cash paid to employees	(3,921,298)	(3,918,217)
Cash paid to suppliers	(2,195,860)	(2,528,883)
Interest paid	(355,117)	(373,007)
	851,113	(329,870)
Cash Flows From Investing Activities:		
Purchase of plant and equipment	6,582	(586,604)
Proceeds from disposal of building	-	213,018
Investment sales	6,460,439	3,222,085
Investment purchases	(6,237,982)	(2,941,232)
	229,039	(92,733)
Cash Flows From Financing Activities:		
Repayments on loans payable	(350,000)	(466,666)
Borrowings on line of credit	4,578,977	2,395,380
Repayments on line of credit	(5,424,447)	(1,623,914)
Collections of contributions for long-term purposes	154	44,480
	(1,195,316)	349,280
Net Increase (Decrease) in Cash and Cash Equivalents	(115,164)	(73,323)
Cash and Cash Equivalents:		
Beginning of year	149,329	222,652
End of year	\$ 34,165	\$ 149,329

(Continued)

See accompanying notes to consolidated financial statements.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)

	2020	2019
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Change in net assets	\$ (1,065,809)	\$ (487,951)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	687,992	685,161
Realized/unrealized (gains) losses	318,276	(176,839)
Change in:		
Accounts receivable	346,790	(64,264)
Grants receivable	578,234	(326,864)
Promises to give	-	9,250
Inventory	73,798	(83,264)
Other assets	(16,527)	26,568
Accounts payable and accrued liabilities	(204,419)	144,543
Refundable advance	181,745	-
Deferred revenue	(48,967)	(56,210)
Total adjustments	1,916,922	158,081
Net cash provided by (used in) operating activities	\$ 851,113	\$ (329,870)

(Concluded)

See accompanying notes to consolidated financial statements.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

1. Organization

Blind & Vision Rehabilitation Services of Pittsburgh (Corporation), formerly known as Pittsburgh Vision Services, was incorporated on July 1, 1997 as a result of the consolidation of the Greater Pittsburgh Guild for the Blind (Guild) and Pittsburgh Blind Association (PBA). The Corporation changes the lives of persons with vision loss and other disabilities by fostering independence and individual choice.

The mission of the Corporation is accomplished through a variety of programs:

Rehabilitation Program

- Residential and community-based personal adjustment services that enable people to learn how to use their other senses along with specialized equipment and procedures to perform the usual activities of daily living.
- Comprehensive, interdisciplinary low vision services that enable people with vision impairments to learn how to effectively use their vision in their daily activities.
- Providing access to technology services.

Vocational Services/Industries Programs

- Vocational assessment, training, placement, and employment support, which permit people with vision impairments to work successfully in the community or in specialized work programs within the facility.

Community and Support Program

- Coordinated and comprehensive information and referral and case management services which enable people to identify, consider, and select services which they feel will be of greatest assistance to them.
- Information and screening services designed to prevent loss of vision.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

PBA Industries/PBA Products and Services

- Provide employment opportunities to those with a broad spectrum of disabilities.

Management and General

- Administrative support to all programmatic services as well as a vehicle for community education activities designed to improve the attitudes toward and expectations for people with visual impairments.

Development

- Fundraising and other activities designed to provide additional support for all the Corporation's programs.

The Corporation is a private, not-for-profit organization, governed by an elected and self-sustaining Board of Directors (Board) who volunteer their efforts. The Corporation has been determined to be a charitable organization exempt from federal taxes in accordance with Internal Revenue Code Section 501(c)(3).

During fiscal year 2009, the Board of the Corporation formed PBA Products and Services, Inc. (PBA), a non-profit entity, and Med-Tec Textiles, Inc. (Med-Tec), a for-profit entity. In August of 2014, the Corporation formed 1816 Locust, LLC (Locust), a not-for-profit entity which is treated as a disregarded entity for federal tax purposes. The financial activity for PBA and Locust is reported as part of these consolidated financial statements. As of June 30, 2020 and 2019, there was no financial activity for Med-Tec. See Note 17 for further discussion of PBA, Med-Tec, and Locust.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Corporation's consolidated financial statements are prepared using the accrual basis of accounting. Expenses are recognized in the period incurred. Revenues are recognized in the period in which they are earned.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Basis of Presentation

The Corporation's net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation and changes therein are reported as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions - Net assets whose use is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the Corporation pursuant to those stipulations. Also included in this category are net assets subject to donor-imposed stipulations to be maintained in perpetuity by the Corporation.

Auxiliary

The activity of the Auxiliary has been reflected in the consolidated financial statements of the Corporation, as it has been determined that the Auxiliary is legally a part of the Corporation. The majority of the activity relates to unrestricted bequests and contributions received by the Auxiliary on behalf of the Corporation. As of June 30, 2020 and 2019, respectively, cash and investment balances of the Auxiliary were \$1,676,184 and \$1,756,896.

Inventories

Inventories are stated at the lower of cost or net realizable value.

Use of Estimates in the Preparation of Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Plant and Equipment

Plant and equipment purchases are recorded at cost for assets greater than \$1,000. Donations of plant and equipment are capitalized at fair value. Depreciation is provided on the straight-line method over each asset's estimated useful life, which ranges from three to forty years.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include all highly liquid instruments with maturities of three months or less when purchased. All amounts included in the consolidated statements of financial position captions of cash and cash equivalents meet these criteria.

Uninsured Cash Balances

Cash and cash equivalents are deposited at local banks. At June 30, 2020 and 2019, the carrying amounts of the Corporation's deposits were \$34,165 and \$149,329, respectively, and the bank balances were \$77,408 and \$170,144, respectively. Of the bank balances for June 30, 2020 and 2019, \$77,408 and \$170,144, respectively, were insured by federal depository insurance. There were no amounts uninsured and uncollateralized. The solvency of the financial institutions is not a concern of management at this time.

Investments

Investments are recorded at fair value. Interest and dividends are reflected as investment income on the statements of activities.

Accounts Receivable

Trade receivables are shown net of uncollectible accounts. Management determines the allowance for doubtful accounts based on specific identification of accounts. When it has been determined that amounts are not collectible, they are charged off. At June 30, 2020 and 2019, management has determined that an allowance for uncollectible accounts is not necessary.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Grants Receivable

Grants receivable represent amounts due to the Corporation under a Redevelopment Assistance Capital Program (RACP) grant for costs incurred related to construction of a roof-top garden. Management has determined that no allowance was considered necessary at June 30, 2020 and 2019. All grants receivable are expected to be collected within one year.

Contributions and Revenue Recognition

The Corporation recognizes promises to give in the year that the promise is received. Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

A portion of the Corporation's revenue is derived from cost-reimbursable federal and state governmental contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Corporation incurs expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No amounts have been received in advance under these federal and state contracts and grants.

In April 2020, the Corporation received a \$797,800 United States Small Business Administration (SBA) loan through the Federal Government's Paycheck Protection Program (PPP) that resulted from the COVID-19 pandemic. The Corporation has elected to derecognize the PPP Loan liability, and record revenue on the statement of activities, as the conditions of the loan are substantially met. As of June 30, 2020, \$616,055 has been recognized and is included in donation and grant revenue on the statements of activities. As a conditional contribution, the PPP Loan amounts received prior to incurring qualifying expenditures and meeting the full-time equivalent head count are reported as refundable advance on the statement of financial position. As of June 30, 2020, the Organization has recorded a refundable advance totaling \$181,745, which represents the portion of the PPP Loan where

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

conditions have not yet been met. The interest rate for any unforgiven portion is 1% and payable over a 24-month period. If the loan is not forgiven, payments of principal and interest are due beginning in December 2020 and through April 2022.

Fee-for-service governmental revenues are reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing services to consumers. These amounts are generally due from governmental payors. Generally, the Organizations bill the third-party payors subsequent to the performance of services. Revenue is recognized as the performance obligations are satisfied when services are provided to consumers. The Corporation does not believe it is required to provide additional services related to revenue being recognized. The Corporation determines the transaction price based on a negotiated rate per unit of service, while other fee-based contracts are State set rates. The Corporation receives funding for several of their programs from the Allegheny County MH/IDD Program (County), Commonwealth of Pennsylvania's Department of Human Services (DHS), and other various government agencies on a contractual basis. The Corporation is reimbursed based on units of service billed to the County and DHS at established payment rates for eligible services. The Commonwealth of Pennsylvania's Bureau of Blindness and Visual Services (Bureau) is the most significant third-party payor for the Corporation's services. The Bureau reimburses based on a rate negotiated between the Commonwealth of Pennsylvania and the Corporation. Trainees are also sponsored by other states or have charges covered by private insurance. Trainees without state support or insurance coverage are supported by donations, income from endowments, or are self-pay. Governmental grants and contracts are entered into annually and could be significantly changed based upon government spending patterns. Beginning of year June 30, 2020 and 2019 receivables, net of reserves, related to the governmental contracts discussed above were \$320,422 and \$399,819, respectively. End of year June 30, 2020 and 2019 receivables, net of reserves, related to the governmental contracts discussed above were \$96,850 and \$320,422, respectively. There was no deferred revenue related to the governmental contracts for the years ended June 30, 2020 and 2019.

The Industries Division of the Corporation provides employment opportunities for people with visual impairments by producing a variety of products that are sold externally. These sales are recorded as such on the consolidated statements of activities and are recognized as revenue when the performance obligation of transferring the products is met. The largest customer of the Corporation's Industries Division includes Unique Source Products, formerly Pennsylvania Industries for the Blind and Handicapped, which represented approximately \$950,158 and \$1,489,426 of the annual sales for the years ended June 30, 2020 and 2019,

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

respectively. Beginning of year June 30, 2020 and 2019 receivables, net of reserves, related to product sales were \$174,719 and \$152,461, respectively. End of year June 30, 2020 and 2019 receivables, net of reserves, related to product sales were \$95,627 and \$174,719, respectively

There were no revenue processes not completed at the date of the initial application of the Financial Accounting Standards Board Accounting Standards Codification Topic 606, *“Revenue from Contracts with Customers.”* There have been no changes in the significant judgements related to the amount or timing of revenue from these transactions, and there are no impairment losses to recognize.

Note Receivable

The note receivable represents a leverage loan that was made as part of the New Markets Tax Credit (NMTC) transaction discussed in Note 10. The note matures on September 30, 2043 and has a fixed interest rate of 1.00%. Quarterly interest-only payments are due until March 20, 2022, at which time quarterly principal and interest payments begin. The note is secured by a security interest in the membership interests of the qualified Community Development Entities (CDEs) discussed in Note 10. The note is stated at the amount of unpaid principal. Management has determined that no allowance is considered necessary.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Salaries and benefits are charged based on time spent on programs. Other costs are allocated based on square footage and utilization of telephone and network equipment.

Income Taxes

As mentioned in Note 1, the Corporation is a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Corporation qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization other than a private foundation. Further, the Corporation annually files a Form 990.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Liquidity and Availability of Resources

The following reflects the Corporation's financial assets (cash and cash equivalents; investments; accounts receivable; grants receivable and promises to give) as of June 30, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of final position date:

	2020	2019
Financial assets	\$ 11,654,198	\$ 13,346,613
Less: those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Purpose and time restrictions	(199,129)	(160,791)
Perpetual in nature	(4,132,718)	(4,331,117)
	(4,331,847)	(4,491,908)
Board designations	(1,676,184)	(1,756,896)
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,646,167	\$ 7,097,809

As discussed in Notes 11 and 12, the Corporation's loans payable and lines of credit are secured by the Corporation's investments and other business assets

The Corporation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Corporation prepares detailed budgets, has been very active in cutting costs, and anticipates collecting sufficient revenue to cover general expenditures.

As discussed in Note 12, the Corporation maintains a revolving line of credit to assist in meeting cash needs.

Adopted Accounting Standards

The provisions of these Standards Updates have been adopted and incorporated into these consolidated financial statements.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

The Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606, *“Revenue from Contracts with Customers,”* as amended, provides guidance for revenue recognition related to contracts involving the transfer of promised goods or services to customers and the related disclosures. The Corporation implemented Topic 606 for all periods presented and has adjusted the disclosures in these consolidated financial statements accordingly. The implementation had no impact on how revenue was recognized in the consolidated financial statements.

Accounting Standards Updates (ASU) 2018-08, *“Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958).”* The amendments provide guidance for characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. The Corporation implemented the provisions of this ASU in these financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with this implementation.

Pending Accounting Standards Updates

FASB has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of these updates on the financial statements.

ASU 2016-02, *“Leases (Topic 842),”* is effective, as delayed, for the financial statements for the year beginning after December 15, 2021. These amendments and related amendments will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU 2018-13, *“Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820),”* is effective for the financial statements for the year beginning after December 15, 2019. The amendments remove and modify certain fair value hierarchy leveling disclosures.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the consolidated financial statements were available to be issued.

3. Inventories

A summary of inventories is as follows:

	<u>2020</u>	<u>2019</u>
Workshop:		
Raw materials	\$ 388,526	\$ 412,659
Finished goods	<u>87,081</u>	<u>136,746</u>
	<u>\$ 475,607</u>	<u>\$ 549,405</u>

4. Net Assets

Net assets without donor restrictions which are board-designated at June 30, 2020 and 2019 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Corporation Auxiliary	<u>\$ 1,676,184</u>	<u>\$ 1,756,896</u>

The Auxiliary amounts noted above and discussed in Note 2 will be disbursed from the Auxiliary to the Corporation at such time and for such purposes as determined by the Auxiliary with approval from the Board. The Auxiliary functions as a board-designated endowment, with the dividends and interest accruing thereon to be expended at the Corporation's discretion. Capital gains and losses are designated by the Board for future use. The endowment is further discussed in Note 6.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Net assets with donor restrictions are available for the following purposes:

	2020	2019
Low vision	\$ 152,319	\$ 87,491
Program expansion	39,418	64,220
Education	7,390	8,890
Other	2	190
Total net assets with purpose restrictions	\$ 199,129	\$ 160,791

Net assets with donor restrictions totaling \$4,132,718 and \$4,331,117 as of June 30, 2020 and 2019, respectively, bear a donor restriction that the donated amount be held in perpetuity, while interest and dividends thereon can be expended at the Corporation's discretion. Realized and unrealized gains have remained with the principal as net assets with donor restrictions to be held in perpetuity.

5. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the following restrictions:

	2020	2019
Low vision	\$ 48,319	\$ 56,900
Program expansion	89,742	89,658
Education	1,500	-
Other	188	426
Total restrictions released	\$ 139,749	\$ 146,984

During the years ended June 30, 2020 and 2019, net assets in the amount of \$206,684 and \$206,048, respectively, were released as endowment earnings appropriated for expenditure.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6. Endowment

The Corporation's endowments were established for a variety of purposes including support for programs and for operating purposes without donor restrictions. Its endowments include both donor-restricted funds and funds without donor restrictions designated by the Board to function as endowments. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Corporation has interpreted Pennsylvania State Act 141 of 1998 (Act) 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 Corporation classifies as net assets with donor restrictions held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) net investment return including realized and unrealized appreciation and depreciation of investments and investment income, less withdrawals.

Endowment net asset composition by type of fund as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Board-designated without donor restrictions	\$ 1,676,184	\$ 1,756,896
With donor restrictions	<u>4,132,718</u>	<u>4,331,117</u>
Total	<u>\$ 5,808,902</u>	<u>\$ 6,088,013</u>

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Changes in endowment net assets for the fiscal year ended June 30, 2020:

	Board-Designated Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 1,756,896	\$ 4,331,117	\$ 6,088,013
Investment return:			
Investment income	53,566	133,506	187,072
Net depreciation (realized and unrealized)	(47,230)	(103,984)	(151,214)
Total investment return	6,336	29,522	35,858
Deductions:			
Withdrawals	(86,669)	(206,684)	(293,353)
Miscellaneous income (expense)	(379)	(21,237)	(21,616)
Total deductions	(87,048)	(227,921)	(314,969)
Endowment Net Assets, End of Year	\$ 1,676,184	\$ 4,132,718	\$ 5,808,902

Changes in endowment net assets for the fiscal year ended June 30, 2019:

	Board-Designated Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 1,753,797	\$ 4,364,151	\$ 6,117,948
Investment return:			
Investment income	52,933	129,757	182,690
Net appreciation (realized and unrealized)	28,623	64,580	93,203
Total investment return	81,556	194,337	275,893
Deductions:			
Withdrawals	(86,669)	(206,048)	(292,717)
Miscellaneous income (expense)	8,212	(21,323)	(13,111)
Total deductions	(78,457)	(227,371)	(305,828)
Endowment Net Assets, End of Year	\$ 1,756,896	\$ 4,331,117	\$ 6,088,013

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Return Objectives and Risk Parameters

Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The Corporation has adopted policies and guidelines for endowment and restricted funds.

To satisfy its long-term rate-of-return objectives, the Corporation relies on returns in excess of the rate of inflation. For the majority of the endowment funds, the Corporation targets a diversified asset allocation portfolio with equity based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

The Corporation has a policy of appropriating for distribution each year, up to 5% of the average market value of the endowment fund balance at the end of the 12 calendar quarters that proceed the budget year. The presumption is that over the course of multiple years, the average investment returns will equal or exceed 5% per annum and that the endowment will meet the objective of providing ongoing financial support to the Corporation.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

7. Investments

Investments are carried at fair value. The fair values are based on price quotations or published mutual fund fair values per unit as reported on related trust statements.

Fair values of assets measured on a recurring basis at June 30, 2020 and 2019 are as follows:

Description	June 30, 2020	June 30, 2019
Mutual funds:		
Equity	\$ 3,096,071	\$ 3,603,592
Fixed income	3,097,681	3,121,444
Alternative	425,861	921,917
Total mutual funds	<u>6,619,613</u>	<u>7,646,953</u>
Exchange traded funds:		
Equity	<u>3,383,773</u>	<u>2,890,366</u>
Total exchange traded funds	<u>3,383,773</u>	<u>2,890,366</u>
Common stock:		
Industrial	136,896	109,006
Consumer discretionary	53,747	76,993
Consumer staples	137,901	100,535
Energy	13,099	39,029
Financial	184,260	199,489
Materials	41,342	59,593
Information technology	201,934	181,973
Real estate	23,123	17,447
Utilities	21,251	36,802
Health care	197,457	116,176
Telecommunication services	32,514	45,332
Unclassified	-	9,670
Total common stock	<u>1,043,524</u>	<u>992,045</u>
Money market funds	<u>200,084</u>	<u>369,703</u>
Totals	<u>\$ 11,246,994</u>	<u>\$ 11,899,067</u>

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Fair values for Level 1 financial instruments are determined by quoted prices in the active market for identical financial instruments. Fair values for Level 2 financial instruments are determined by other significant observable inputs (quoted prices for similar financial instruments, interest rates, prepayment speeds, credit risk, etc.). Fair values for Level 3 financial instruments are determined by significant unobservable inputs, including the Corporation's own assumptions in determining the fair value of financial instruments. All of the Corporation's investments have been classified as Level 1.

Financial instruments, which potentially expose the Corporation to concentrations of credit risk, include investments in marketable securities. Concentration of credit risk for investments in marketable securities is mitigated by the overall diversification of managed investment portfolios. Investment securities are also exposed to various other risks such as interest rate and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near-term and that such changes could materially affect the amount reported on the consolidated statements of financial position.

8. Promises to Give

Unconditional promises to give at June 30, 2020 and 2019 are summarized as follows:

	2020	2019
Receivable in less than one year	\$ 3,000	\$ 3,279
Receivable in one to five years	7,125	7,000
Receivable after five years	-	-
	<u>\$ 10,125</u>	<u>\$ 10,279</u>

As of June 30, 2020 and 2019, management has determined that no allowance is necessary and that any discount of expected future cash flows from promises that are due in more than one year is immaterial. As such, no additional fair value disclosure regarding these promises has been made.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

9. Plant and Equipment

Plant and equipment balances at June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Buildings and improvements	\$ 17,521,371	\$ 17,423,195
Equipment and furniture	<u>1,138,254</u>	<u>1,131,672</u>
Total fixed assets	18,659,625	18,554,867
Less accumulated depreciation	<u>2,601,210</u>	<u>1,913,218</u>
Net Fixed Assets	<u>\$ 16,058,415</u>	<u>\$ 16,641,649</u>

In March 2014, the Corporation purchased a building with the intention to renovate the building and move operations once the necessary renovations had been made. The cost of the building, including renovations, was financed through a combination of New Market Tax Credits (further discussed in Note 10), new borrowings, a capital campaign, and operating funds. The Corporation relocated to its new headquarters location during August of 2016.

In January 2019, the Corporation sold its former operating facility for approximately \$200,000. Net proceeds from the transaction approximated the book value of the property at time of sale.

10. New Markets Tax Credit

In October 2014, PNC New Markets Investment Partners, LLC (PNC), a subsidiary of The PNC Financial Services Group, made a New Markets Tax Credit (NMTC) investment to facilitate the financing of renovation costs for the Corporation's new headquarters facility. The NMTC program provides tax incentives for lending institutions with federal tax liabilities by investing in a qualified Community Development Entity (CDE). The funds invested in the CDE are then lent to qualified businesses.

In order to meet the leveraged structure for purposes of generating the NMTCs, the Corporation borrowed \$6,500,000 from PNC Commercial Lending and provided \$1,335,300 from investment funds to meet the \$7,835,300 leverage loan requirements of the project.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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These funds were loaned to the BVRS Investment Fund, LLC (Fund), which is wholly owned by PNC.

The Corporation created Locust to be the qualified active low-income community business (QALICB) for this project and sold the new headquarters facility to Locust for \$1, which is leasing the property back to the Corporation.

The NMTC requires a seven-year compliance period, at the end of which PNC will have the right for six months to put its interest in the Fund to the Corporation, or its assignee, ("Put Option Purchaser") for a payment equal to \$1,000 plus costs (if any). The Corporation (or its assignee) shall have a call option at fair market value for six months in the event that the put option is not exercised.

11. Loans Payable

In connection with the NMTC, the Corporation entered into a loan with PNC Bank for the amount of \$6,500,000 to finance the required leverage loan. This loan matures on October 15, 2030. The loan has a variable interest rate of 30 day LIBOR plus 1.00%. Monthly interest-only payments were due until November 15, 2015, at which time principal payments began. The loan is secured by the Corporation's investments and other business assets. The loan requires the Corporation to maintain a debt service coverage ratio of not less than 1.00 to 1.00 and a ratio of expendable resources to direct debt of not less than 0.85 to 1.00. The Corporation was not in compliance with these covenants as of June 30, 2020 and 2019, but was granted a waiver of the covenant requirements by the lender.

Also, in connection with the NMTC, Locust received four loans from Qualified Community Development Entities (CDEs) totaling \$11,045,000 for the construction and development of the Corporation's new operating headquarters. The loans mature on September 30, 2043 and have a fixed interest rate of 1.24818%. Quarterly interest-only payments are due until December 10, 2021, at which time quarterly principal payments begin. The loan is secured by an open-ended mortgage and other loan documents.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Beginning on March 20, 2022, future debt principal payments will be offset by principal payments received from the note receivable discussed in Note 2. Future debt and note receivable principal payments are as follows:

	Debt Principal	Note Receivable	Net
2021	\$ 466,667	\$ -	\$ 466,667
2022	689,099	324,148	364,951
2023	914,320	327,401	586,919
2024	919,934	330,688	589,246
2025	925,618	334,007	591,611
2026-2030	4,715,879	1,721,002	2,994,877
2031-2035	2,807,953	1,809,127	998,826
Thereafter	4,544,419	2,988,927	1,555,492
Total	\$ 15,983,889	\$ 7,835,300	\$ 8,148,589

Interest Rate Swap

During 2014, the Corporation entered into a pay fixed receive variable interest rate swap agreement to mitigate the risk of changes in interest rates associated with the variable interest rate on the note issued in relation to the leverage loan. Under the arrangement, the Corporation would make interest payments at a fixed rate of 3.69% and receive the variable rate payments based on US LIBOR plus 1.00%. The intention of the interest rate swap is to effectively change the Corporation's variable interest rate on the note to a synthetic fixed rate of 3.69%. The agreement was amended on March 16, 2020 and the fixed rate was adjusted to 1.96%.

The interest payments on the interest rate swap are calculated based on the notional amount, which reduces monthly by \$18,056 beginning November 15, 2015, so that the notional amount on the interest rate swap approximates the principal outstanding on the note. The interest rate swap expires October 15, 2030. The notional amount under the interest rate swap agreement totaled \$4,938,889 and \$5,288,889 at June 30, 2020 and 2019, respectively. At the transaction's effective date, October 15, 2014, interest payments will be exchanged monthly and continue through the transaction's termination date, October 15, 2030. The fair value of the interest rate swap agreement was \$(157,586) and \$(37,293) as of June 30, 2020 and 2019, respectively. The fair value is an estimation of the expected net cash flows calculated based on the assumption of no unusual market conditions or forced

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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liquidation. The fair value of the swap is not significant and has not been recorded on the financial statements.

The Corporation and the local financial institution are parties to an International Swap Dealers Association, Inc. (ISDA) master agreement that sets forth the general terms and conditions applicable to the loan and interest rate swap. Through the use of derivative instruments such as this interest rate swap, the Corporation is exposed to a variety of risks, including credit risk, interest rate risk, termination risk, basis risk, and rollover risk.

12. Line of Credit

The Corporation maintains a \$2,500,000 revolving line of credit with a local financial institution. At June 30, 2020 and 2019, the outstanding balances were \$1,062,764 and \$1,330,000, respectively. The line matures on March 31, 2021 and is secured by the Corporation's investments at that financial institution. The line bears interest at the daily LIBOR rate plus 1.00%. The interest rate as of June 30, 2020 and 2019, respectively, was 1.08% and 3.39%. Interest expense was \$66,759 and \$37,960 for the years ended June 30, 2020 and 2019, respectively. The Corporation made draws of \$4,378,520 and \$1,908,457 against the line of credit to cover working capital needs during the years ended June 30, 2020 and 2019, respectively. The Corporation also made repayments on the line of \$4,645,756 and \$1,423,457 during the years ended June 30, 2020 and 2019, respectively.

In conjunction with the \$6,500,000 loan discussed in Note 11, the Corporation entered into a non-revolving \$4,000,000 construction line-of-credit agreement for the purpose of renovating the new headquarters facility. In February 2018, the maximum borrowings available on the line of credit was reduced to \$3,000,000 and further reduced to \$1,750,000 in December 2018. At June 30, 2020 and 2019, the outstanding balance on the line of credit was \$1,004,766 and \$1,583,000, respectively. The line matures on December 29, 2020 and is secured by the Corporation's investment accounts, other business assets, and an open-ended mortgage agreement. The line bears interest at the 30-day LIBOR rate plus 1.00%, resulting in an interest rate of 1.08% and 3.39% as of June 30, 2020 and 2019, respectively. The Corporation made draws against the line of \$200,457 and \$486,923 during fiscal years 2020 and 2019, respectively, and made repayments of \$778,691 and \$200,457 on the line during the years ended June 30, 2020 and 2019, respectively.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

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13. Retirement Plans

The Corporation offers to all qualified employees a defined contribution retirement plan (plan) under the applicable provisions of the Internal Revenue Code. Eligible employees are permitted to make salary deferrals to the plan upon hire and those who have completed 1,000 hours of service within one calendar year at the Corporation are eligible to receive a profit-sharing contribution. Effective January 1, 2014, the Plan was amended to include all employees of the Company except for those who are Highly Compensated Employees. Employees of PBA Products & Services, Inc. and vocational rehabilitation department client participants of the Company are excluded from receiving employer contributions under the new amendment. The plan was further amended, effective July 1, 2015, to include all employees of Somerset County Blind Association. The Corporation's contribution percentage was 4% from July 1, 2019 through April 30, 2020. Effective May 1, 2020, the Plan was amended to change the profit-sharing contribution to a discretionary contribution. In accordance with this amendment, as of May 1, 2020, the Company elected to temporarily discontinue the discretionary employer contribution. The Corporation's contribution percentage was 4% for the year ended June 30, 2019. Total contributions by the Corporation into the plan for the years ended June 30, 2020 and 2019 amounted to approximately \$46,000 and \$72,000, respectively.

On January 1, 2014, the Corporation established a 403(b) tax-deferred annuity plan for employees who are not eligible to participate in the defined contribution retirement plan. This plan does not provide for employer contributions.

14. Specialized Services

Specialized Services, which are operated by the Corporation under a contract with the Pennsylvania Association for the Blind (PAB), maintains a separate cost center in the Corporation's accounting records. Contract funds are passed through PAB to the Corporation, from the Commonwealth of Pennsylvania, Department of labor and Industry, Office of Vocational Rehabilitation, Bureau of Blindness, and Visual Services. The contract with PAB was for reimbursement of eligible program services costs up to a maximum of \$202,506 and \$168,729, for the fiscal years ended June 30, 2020 and 2019, respectively.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Following is a schedule of the activity under this grant for the year ended June 30, 2020:

Specialized Services	Approved Budget	Total Program Costs	OVR Funding	Corporation's Subsidy
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Personnel	\$ 73,989	\$ 90,929	\$ 73,989	\$ 16,940
Benefits	13,538	24,288	13,538	10,750
Other expenses:				
Program supplies	-	3,155	-	3,155
Professional services	-	-	-	-
Occupancy	8,069	14,198	8,069	6,129
Communications	668	2,983	668	2,315
Postage/printing	-	99	-	99
Conference	417	374	417	(43)
Travel	12,321	25,331	12,321	13,010
Administrative	5,538	25,469	5,538	19,931
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 114,540</u>	<u>\$ 186,826</u>	<u>\$ 114,540</u>	<u>\$ 72,286</u>
Prevention of Blindness	Approved Budget	Total Program Costs	OVR Funding	Corporation's Subsidy
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Personnel	\$ 59,801	\$ 74,113	\$ 59,801	\$ 14,312
Benefits	11,740	12,547	11,740	807
Other expenses:				
Program supplies	134	397	134	263
Professional services	-	-	-	-
Occupancy	1,403	1,440	1,403	37
Communications	-	2,135	-	2,135
Postage/printing	635	380	635	(255)
Professional services	-	-	-	-
Travel	10,075	8,305	10,075	(1,770)
Administrative	3,577	7,586	3,577	4,009
Conferences and training	601	7,147	601	6,546
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 87,966</u>	<u>\$ 114,050</u>	<u>\$ 87,966</u>	<u>\$ 26,084</u>

There were no receivables due from PAB for the Specialized Services Grant at June 30, 2020.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Following is a schedule of the activity under this grant for the year ended June 30, 2019:

Specialized Services	Approved Budget	Total Program Costs	OVR Funding	Corporation's Subsidy
Personnel	\$ 66,481	\$ 102,060	\$ 66,481	\$ 35,579
Benefits	12,164	24,514	12,164	12,350
Other expenses:				
Program supplies	-	2,073	-	2,073
Professional services	-	1,210	-	1,210
Occupancy	7,250	14,996	7,250	7,746
Communications	600	3,633	600	3,033
Postage/printing	-	430	-	430
Conference	375	375	375	-
Travel	11,071	25,815	11,071	14,744
Administrative	4,976	26,674	4,976	21,698
Total	<u>\$ 102,917</u>	<u>\$ 201,780</u>	<u>\$ 102,917</u>	<u>\$ 98,863</u>
Prevention of Blindness				
	Approved Budget	Total Program Costs	OVR Funding	Corporation's Subsidy
Personnel	\$ 44,740	\$ 57,828	\$ 44,740	\$ 13,088
Benefits	8,783	6,866	8,783	(1,917)
Other expenses:				
Program supplies	100	4,554	100	4,454
Professional services	-	-	-	-
Occupancy	1,050	900	1,050	(150)
Communications	-	1,417	-	1,417
Postage/printing	475	1,980	475	1,505
Travel	7,538	11,038	7,538	3,500
Administrative	2,676	14,308	2,676	11,632
Conferences and training	450	450	450	-
Total	<u>\$ 65,812</u>	<u>\$ 99,341</u>	<u>\$ 65,812</u>	<u>\$ 33,529</u>

At June 30, 2019, the Corporation has a receivable from PAB for the Specialized Services Grant in the amount of \$11,519.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

15. Risk Management

The Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

The Corporation does not carry unemployment compensation insurance. Liabilities or current claims outstanding were not significant to the financial statements at June 30, 2020 or 2019.

16. Economic Dependency

A significant portion of the Corporation's grants and contributions are from organizations and individuals within the Allegheny County area. In addition, its employees, volunteers, clients, and vendors primarily reside in the Allegheny County area and therefore, economic and demographic influences on this area impact the Corporation's operations.

17. Subsidiaries

Med-Tec was formed as a corporation on September 19, 2008 and is a separate legal entity from the Corporation. The Corporation is the sole shareholder of Med-Tec. The formation of Med-Tec was established to allow the Corporation to expand its preparation of textiles and related activities. Med-Tec is on the accrual method of accounting with a June 30 fiscal year. As of June 30, 2020 and 2019, there was no financial activity for Med-Tec. Financial transactions for Med-Tec are not expected for fiscal year 2021.

PBA Products and Services, Inc. was formed as a nonprofit corporation on December 1, 2008 and is a separate legal entity from the Corporation. The formation of PBA Products and Services, Inc. was established to provide employment opportunities to those with a broad spectrum of disabilities. PBA Products and Services, Inc. is on the accrual method of accounting with a June 30 fiscal year. PBA Products and Services, Inc. files a separate Form 990 for federal income tax purposes.

BLIND & VISION REHABILITATION SERVICES OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

In August of 2014, 1816 Locust, LLC (Locust) was formed as a limited liability company. The Corporation is the sole member of Locust, which is treated as a disregarded entity for federal tax purposes. Locust was established to serve as a real estate qualified active low-income community business (QALICB) under the NMTC investment discussed in Note 10. Locust is on the accrual method of accounting with a June 30 fiscal year.

18. COVID-19

In early 2020, an outbreak of a novel strain of coronavirus was identified, and infections have been found in a number of countries around the world, including the United States. The coronavirus and its associated impacts on supply chains, travel, employee productivity, and other economic activities has had, and may continue to have, a material effect on financial markets and economic activity. The extent of the negative impact of the coronavirus on the Corporation's operational and financial performance is currently uncertain and cannot be predicted and will depend on certain developments, including, among others, the duration and spread of the outbreak, its impact on the Corporation's funders, employees, and vendors, and governmental, regulatory, and other responses to the coronavirus.

SUPPLEMENTARY INFORMATION

**BLIND & VISION REHABILITATION
SERVICES OF PITTSBURGH**

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2020

	Blind and Vision Rehabilitation Services	PBA Products and Services	1816 Locust, LLC	Subtotal	Eliminations	Total
Assets						
Cash and cash equivalents	\$ 7,744	\$ 26,418	\$ 3	\$ 34,165	\$ -	\$ 34,165
Investments	17,612,334	-	-	17,612,334	(6,365,340)	11,246,994
Grants receivable	102,662	-	-	102,662	-	102,662
Third-party tuition, fees, and other receivables	207,474	52,778	-	260,252	-	260,252
Intercompany receivable	7,835,300	88,304	97,591	8,021,195	(8,021,195)	-
Promises to give	10,125	-	-	10,125	-	10,125
Inventories	475,607	-	-	475,607	-	475,607
Other assets	95,388	1,157	-	96,545	-	96,545
Note receivable	-	7,835,300	-	7,835,300	-	7,835,300
Plant and equipment, net of accumulated depreciation	294,644	13,784	15,749,987	16,058,415	-	16,058,415
Total Assets	\$ 26,641,278	\$ 8,017,741	\$ 15,847,581	\$ 50,506,600	\$ (14,386,535)	\$ 36,120,065
Liabilities and Net Assets						
Liabilities:						
Accounts payable	\$ 104,172	\$ 8,888	\$ -	\$ 113,060	\$ -	\$ 113,060
Accrued liabilities	145,964	18,134	-	164,098	-	164,098
Intercompany payable	185,895	7,835,300	-	8,021,195	(8,021,195)	-
Deferred revenue	37,583	-	-	37,583	-	37,583
Line of credit	2,067,530	-	-	2,067,530	-	2,067,530
Loans payable	4,938,889	-	11,045,000	15,983,889	-	15,983,889
Refundable advance	181,745	-	-	181,745	-	181,745
Total Liabilities	7,661,778	7,862,322	11,045,000	26,569,100	(8,021,195)	18,547,905
Net Assets:						
Without donor restrictions:						
Undesignated	12,676,825	141,635	97,594	12,916,054	(6,365,340)	6,550,714
Invested in plant and equipment, net of related debt	294,644	13,784	4,704,987	5,013,415	-	5,013,415
Board-designated	1,676,184	-	-	1,676,184	-	1,676,184
Total net assets without donor restrictions	14,647,653	155,419	4,802,581	19,605,653	(6,365,340)	13,240,313
Net assets with donor restrictions	4,331,847	-	-	4,331,847	-	4,331,847
Total Net Assets	18,979,500	155,419	4,802,581	23,937,500	(6,365,340)	17,572,160
Total Liabilities and Net Assets	\$ 26,641,278	\$ 8,017,741	\$ 15,847,581	\$ 50,506,600	\$ (14,386,535)	\$ 36,120,065

**BLIND & VISION REHABILITATION
SERVICES OF PITTSBURGH**

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Blind and Vision Rehabilitation Services	PBA Products and Services	1816 Locust, LLC	Subtotal	Eliminations	Total
Net Assets Without Donor Restrictions:						
Support and revenues:						
Service income	\$ 1,135,421	\$ 646,979	\$ -	\$ 1,782,400	\$ -	\$ 1,782,400
Sales	1,653,605	-	-	1,653,605	-	1,653,605
Donations and grants	1,994,358	88,304	-	2,082,662	(30,000)	2,052,662
Investment income, net	266,559	78,353	-	344,912	(78,353)	266,559
Income from trusts	151,814	-	-	151,814	-	151,814
Realized/unrealized gains (losses)	(214,292)	-	-	(214,292)	-	(214,292)
Rental income	-	-	200,000	200,000	(200,000)	-
Other revenues	98,190	-	-	98,190	(30,000)	68,190
Net assets released from restrictions	346,433	-	-	346,433	-	346,433
Total support and revenues	<u>5,432,088</u>	<u>813,636</u>	<u>200,000</u>	<u>6,445,724</u>	<u>(338,353)</u>	<u>6,107,371</u>
Expenses:						
Program services:						
Industries	1,444,946	-	181,209	1,626,155	(59,422)	1,566,733
Rehabilitation	1,316,706	-	158,385	1,475,091	(59,833)	1,415,258
Vocational services	1,013,504	-	121,838	1,135,342	(28,700)	1,106,642
Community and support	301,386	-	36,198	337,584	(1,000)	336,584
PBA Products and Services	-	760,686	-	760,686	(138,353)	622,333
Total program services	<u>4,076,542</u>	<u>760,686</u>	<u>497,630</u>	<u>5,334,858</u>	<u>(287,308)</u>	<u>5,047,550</u>
Management and general	1,373,111	-	192,409	1,565,520	(51,045)	1,514,475
Development and capital campaign	402,724	-	48,370	451,094	-	451,094
Total expenses	<u>5,852,377</u>	<u>760,686</u>	<u>738,409</u>	<u>7,351,472</u>	<u>(338,353)</u>	<u>7,013,119</u>
Change in Net Assets Without Donor Restrictions	<u>(420,289)</u>	<u>52,950</u>	<u>(538,409)</u>	<u>(905,748)</u>	<u>-</u>	<u>(905,748)</u>
Net Assets With Donor Restrictions:						
Donations and grants	178,087	-	-	178,087	-	178,087
Realized/unrealized gains (losses)	(103,984)	-	-	(103,984)	-	(103,984)
Investment income, net	112,269	-	-	112,269	-	112,269
Net assets released from restriction	(346,433)	-	-	(346,433)	-	(346,433)
Change in Net Assets With Donor Restrictions	<u>(160,061)</u>	<u>-</u>	<u>-</u>	<u>(160,061)</u>	<u>-</u>	<u>(160,061)</u>
Change in Net Assets	<u>(580,350)</u>	<u>52,950</u>	<u>(538,409)</u>	<u>(1,065,809)</u>	<u>-</u>	<u>(1,065,809)</u>
Net Assets:						
Beginning of year	19,559,850	102,469	5,242,814	24,905,133	(6,267,164)	18,637,969
1816 Locust LLC - additional capital	-	-	98,176	98,176	(98,176)	-
End of year	<u>\$ 18,979,500</u>	<u>\$ 155,419</u>	<u>\$ 4,802,581</u>	<u>\$ 23,937,500</u>	<u>\$ (6,365,340)</u>	<u>\$ 17,572,160</u>