



VisionCorps

Financial Statements

September 30, 2022 and 2021



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Independent Auditor's Report

To the Board of Directors
VisionCorps
Lancaster, Pennsylvania

Opinion

We have audited the financial statements of VisionCorps (the Organization), which comprise the statement of financial position as of September 30, 2022, the related statements of activities, changes in net assets, functional expenses - by natural classification, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2022, and the results of its operations 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Emphasis of Matter

As discussed in Note 28 to the financial statements, the financial statements for the year ended September 30, 2021 have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of the Organization, as of and for the year ended September 30, 2021, were audited by other auditors, whose report dated December 17, 2021 expressed an unmodified opinion on those statements.

As part of our audit of the 2022 financial statements, we also audited the adjustments described in Note 28 that were applied to restate the 2021 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2021 financial statements of the Organization other than with respect to the adjustments and accordingly, we do not express an opinion or any other form of assurance on the 2021 financial statements as a whole.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 financial statements.

In performing an audit in accordance with GAAS, we:

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

RKL LLP

April 3, 2023
Lancaster, Pennsylvania

VisionCorps

Statement of Financial Position

	September 30,	
	2022	2021 (as Restated)
Assets		
Current Assets		
Cash and cash equivalents	\$ 151,212	\$ 2,656,023
Accounts receivable	1,866,070	2,243,475
Promises to give	404,927	20,737
Inventories	3,851,402	3,353,721
Prepaid expenses	67,456	24,654
Restricted cash	66,058	29,348
Total Current Assets	6,407,125	8,327,958
Property and Equipment, Net	7,441,621	7,818,083
Other Assets		
Investments	15,836,347	18,120,211
Beneficial interest in trusts	4,849,965	6,128,082
Interest in net assets of a community foundation	35,918	44,221
Deferred compensation plan asset	210,798	260,040
Total Other Assets	20,933,028	24,552,554
Total Assets	\$ 34,781,774	\$ 40,698,595
Liabilities and Net Assets		
Current Liabilities		
Lines of credit	\$ 237,750	\$ 237,750
Accounts payable	1,215,052	1,557,814
Accrued payroll	124,870	111,425
Accrued and withheld payroll taxes	9,553	16,880
Accrued benefits	248,797	71,615
Deferred revenue	36,289	20,410
Current maturities of notes payable	-	170,709
Current maturities of charitable gift annuity obligations	64,256	65,365
Total Current Liabilities	1,936,567	2,251,968
Other Liabilities		
Notes payable	-	1,221,892
Charitable gift annuity obligations	3,621	74,312
Deferred compensation plan liability	210,798	260,040
Total Other Liabilities	214,419	1,556,244
Total Liabilities	2,150,986	3,808,212
Net Assets		
Without donor restrictions	26,108,020	29,760,125
With donor restrictions	6,522,768	7,130,258
Total Net Assets	32,630,788	36,890,383
Total Liabilities and Net Assets	\$ 34,781,774	\$ 40,698,595

See accompanying notes.

VisionCorps

Statement of Activities

	Year Ended September 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Totals
Support			
Public contributions and grants	\$ 366,332	\$ 314,537	\$ 680,869
Bequests	51,487	404,927	456,414
In-kind contributions	44,585	-	44,585
Total Support	462,404	719,464	1,181,868
Revenue			
Enterprise group sales	20,435,102	-	20,435,102
Other income	273,403	-	273,403
Interest and dividends, net	273,113	243	273,356
Fees for services	268,114	-	268,114
Distributions from trusts	214,050	-	214,050
Client services	15,437	-	15,437
Total Revenue	21,479,219	243	21,479,462
Net Assets Released from Restrictions	45,701	(45,701)	-
Total Support and Revenue	21,987,324	674,006	22,661,330
Expenses			
Program services			
Enterprise Group	19,660,681	-	19,660,681
Rehabilitation	1,104,268	-	1,104,268
Youth services	271,811	-	271,811
Grant making	19,377	-	19,377
Education and public awareness	113,613	-	113,613
Total Program Services	21,169,750	-	21,169,750
Supporting services			
Administration	2,009,346	-	2,009,346
Development	446,473	-	446,473
Total Supporting Services	2,455,819	-	2,455,819
Total Expenses	23,625,569	-	23,625,569
Excess (Deficiency) of Support and Revenue over Expenses	(1,638,245)	674,006	(964,239)
Loss on Disposal of Property and Equipment	(117,011)	-	(117,011)
Net Unrealized and Realized Loss on Investments	(3,281,147)	(3,379)	(3,284,526)
Change in Value of Beneficial Interest in Trusts	-	(1,278,117)	(1,278,117)
Change in Interest in Net Assets of a Community Foundation	(8,303)	-	(8,303)
Change in Value of Charitable Gift Annuity Obligation	-	-	-
Employee Retention Credit	-	-	-
Forgiveness of Note Payable	1,392,601	-	1,392,601
Changes in Net Assets	\$ (3,652,105)	\$ (607,490)	\$ (4,259,595)

See accompanying notes.

VisionCorps

Statement of Activities (continued)

	Year Ended September 30, 2021 (as Restated)		
	Without Donor Restrictions	With Donor Restrictions	Totals
Support			
Public contributions and grants	\$ 506,202	\$ 104,643	\$ 610,845
Bequests	77,090	-	77,090
In-kind contributions	167,198	-	167,198
Total Support	750,490	104,643	855,133
Revenue			
Enterprise group sales	17,707,922	-	17,707,922
Other income	86,134	-	86,134
Interest and dividends, net	243,766	843	244,609
Fees for services	246,942	-	246,942
Distributions from trusts	221,479	-	221,479
Client services	13,094	-	13,094
Total Revenue	18,519,337	843	18,520,180
Net Assets Released from Restrictions	230,808	(230,808)	-
Total Support and Revenue	19,500,635	(125,322)	19,375,313
Expenses			
Program services			
Enterprise Group	17,532,531	-	17,532,531
Rehabilitation	1,239,503	-	1,239,503
Youth services	270,035	-	270,035
Grant making	28,953	-	28,953
Education and public awareness	118,097	-	118,097
Total Program Services	19,189,119	-	19,189,119
Supporting services			
Administration	658,483	-	658,483
Development	499,986	-	499,986
Total Supporting Services	1,158,469	-	1,158,469
Total Expenses	20,347,588	-	20,347,588
Deficiency of Support and Revenue over Expenses	(846,953)	(125,322)	(972,275)
Gain on Disposal of Property and Equipment	500	-	500
Net Unrealized and Realized Gain on Investments	2,252,376	2,029	2,254,405
Change in Value of Beneficial Interest in Trusts	-	678,964	678,964
Change in Interest in Net Assets of a Community Foundation	12,449	-	12,449
Change in Value of Charitable Gift Annuity Obligation	(9,983)	-	(9,983)
Employee Retention Credit	828,856	-	828,856
Forgiveness of Note Payable	1,353,900	-	1,353,900
Changes in Net Assets	\$ 3,591,145	\$ 555,671	\$ 4,146,816

See accompanying notes.

VisionCorps

Statement of Changes in Net Assets

	Without Donor Restrictions	With Donor Restrictions	Totals
Net Assets at September 30, 2020 (as Previously Stated)	\$ 26,137,208	\$ 5,978,491	\$ 32,115,699
Prior period adjustment	<u>31,772</u>	<u>596,096</u>	<u>627,868</u>
Net Assets at September 30, 2020 (as Restated)	26,168,980	6,574,587	32,743,567
Changes in net assets	<u>3,591,145</u>	<u>555,671</u>	<u>4,146,816</u>
Net Assets at September 30, 2021 (as Restated)	29,760,125	7,130,258	36,890,383
Changes in net assets	<u>(3,652,105)</u>	<u>(607,490)</u>	<u>(4,259,595)</u>
Net Assets at September 30, 2022	<u>\$ 26,108,020</u>	<u>\$ 6,522,768</u>	<u>\$ 32,630,788</u>

VisionCorps

Statement of Functional Expenses - by Natural Classification

	Year Ended September 30, 2022								
	Program Services						Supporting Services		
	Enterprise Group	Rehabilitation	Youth Services	Grant Making	Education and Public Awareness	Total Program Expenses	Administration	Development	Total
Salaries and wages	\$ 1,396,917	\$ 624,537	\$ 144,654	\$ 16,477	\$ 92,869	\$ 2,275,454	\$ 1,262,002	\$ 156,081	\$ 3,693,537
Direct labor	2,748,572	-	-	-	-	2,748,572	-	-	2,748,572
Indirect labor	318,921	-	-	-	-	318,921	-	-	318,921
Payroll taxes	330,066	46,332	9,898	1,241	6,995	394,532	89,770	11,755	496,057
Employee benefits	895,729	170,522	46,135	2,439	13,749	1,128,574	302,442	24,130	1,455,146
Professional services	135,244	28,632	1,725	-	-	165,601	140,495	62,043	368,139
Bank fees	24,793	-	-	-	-	24,793	8,655	-	33,448
Office, operating supplies, and equipment	171,443	43,745	8,022	-	-	223,210	40,878	6,734	270,822
Items for resale and shipping	11,795,950	12,001	-	-	-	11,807,951	-	-	11,807,951
Sales commissions and licensing fees	652,714	-	-	-	-	652,714	-	-	652,714
Building and utilities	369,306	52,387	22,339	-	-	444,032	18,509	7,853	470,394
Insurance	67,848	22,330	3,942	-	-	94,120	12,841	1,471	108,432
Travel, training, and seminars	73,760	18,595	3,439	-	-	95,794	19,826	2,845	118,465
Assistance to individuals	-	-	-	(780)	-	(780)	-	-	(780)
Facility rent	220,757	5,206	-	-	-	225,963	-	875	226,838
Miscellaneous and public relations	48,243	739	121	-	-	49,103	73,357	-	122,460
Interest	-	-	-	-	-	-	7,882	-	7,882
Depreciation	407,443	79,232	31,536	-	-	518,211	32,689	3,495	554,395
Sales and marketing	2,975	10	-	-	-	2,985	-	18,351	21,336
Fundraising	-	-	-	-	-	-	-	150,840	150,840
	<u>\$ 19,660,681</u>	<u>\$ 1,104,268</u>	<u>\$ 271,811</u>	<u>\$ 19,377</u>	<u>\$ 113,613</u>	<u>\$ 21,169,750</u>	<u>\$ 2,009,346</u>	<u>\$ 446,473</u>	<u>\$ 23,625,569</u>

See accompanying notes.

VisionCorps

Statement of Functional Expenses - by Natural Classification (continued)

Year Ended September 30, 2021 (as Restated)									
	Program Services					Supporting Services			Total
	Enterprise Group	Rehabilitation	Youth Services	Grant Making	Education and Public Awareness	Total Program Expenses	Administration	Development	
Salaries and wages	\$ 2,251,781	\$ 753,234	\$ 159,340	\$ 17,305	\$ 97,539	\$ 3,279,199	\$ 284,633	\$ 163,928	\$ 3,727,760
Direct labor	2,749,308	-	-	-	-	2,749,308	-	-	2,749,308
Indirect labor	223,040	-	-	-	-	223,040	-	-	223,040
Payroll taxes	377,765	53,898	11,391	1,439	8,110	452,603	21,687	13,629	487,919
Employee benefits	916,836	155,815	30,517	2,209	12,448	1,117,825	71,409	21,095	1,210,329
Professional services	126,136	40,034	3,475	-	-	169,645	100,865	100,099	370,609
Bank fees	21,309	-	-	-	-	21,309	4,656	-	25,965
Office, operating supplies, and equipment	145,433	68,809	8,686	-	-	222,928	53,764	9,350	286,042
Items for resale and shipping	9,209,014	11,007	-	-	-	9,220,021	-	-	9,220,021
Sales commissions and licensing fees	565,844	-	-	-	-	565,844	-	-	565,844
Building and utilities	322,555	46,401	18,772	-	-	387,728	19,604	6,596	413,928
Insurance	68,765	17,262	3,711	-	-	89,738	12,834	2,328	104,900
Travel, training, and seminars	20,765	10,475	2,124	-	-	33,364	10,787	2,050	46,201
Assistance to individuals	-	-	-	8,000	-	8,000	-	-	8,000
Facility rent	119,965	3,316	-	-	-	123,281	75	3,358	126,714
Miscellaneous and public relations	32,475	2,556	271	-	-	35,302	48,662	-	83,964
Interest	-	-	-	-	-	-	2,788	-	2,788
Depreciation	378,740	74,400	31,748	-	-	484,888	26,719	642	512,249
Sales and marketing	2,800	2,296	-	-	-	5,096	-	15,890	20,986
Fundraising	-	-	-	-	-	-	-	161,021	161,021
	<u>\$ 17,532,531</u>	<u>\$ 1,239,503</u>	<u>\$ 270,035</u>	<u>\$ 28,953</u>	<u>\$ 118,097</u>	<u>\$ 19,189,119</u>	<u>\$ 658,483</u>	<u>\$ 499,986</u>	<u>\$ 20,347,588</u>

VisionCorps

Statement of Cash Flows

	Years Ended September 30,	
	2022	2021 (as Restated)
Cash Flows from Operating Activities		
Changes in net assets	\$ (4,259,595)	\$ 4,146,816
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation	554,395	512,249
(Gain) loss on sale of property and equipment	117,011	(500)
Net unrealized and realized (gain) loss on investments	3,284,526	(2,254,405)
Forgiveness of note payable	(1,392,601)	(1,353,900)
Change in value of beneficial interest in trusts	1,278,117	(678,964)
Change in interest in net assets of a community foundation	8,303	(12,449)
In-kind contributions - donated securities	(17,630)	(112,778)
Proceeds from sale of donated securities	17,630	-
(Increase) decrease in assets		
Accounts receivable	377,405	(363,661)
Promises to give	(384,190)	221,571
Inventories	(497,681)	(1,777,950)
Prepaid expenses	(42,802)	110,694
Increase (decrease) in liabilities		
Accounts payable	(342,762)	996,381
Accrued payroll, withheld payroll taxes, and benefits	183,300	(432,802)
Deferred revenue	15,879	12,303
Charitable gift annuity obligations	(71,800)	(61,817)
Net Cash Used in Operating Activities	(1,172,495)	(1,049,212)
Cash Flows from Investing Activities		
Purchase of property and equipment	(294,944)	(618,068)
Purchase of investments	(2,352,077)	(14,591,004)
Proceeds from sale of investments	1,351,415	14,987,202
Net Cash Used in Investing Activities	(1,295,606)	(221,870)
Cash Flows from Financing Activities		
Proceeds on note payable	-	1,392,601
Net Cash Provided by Financing Activities	-	1,392,601
Net Increase (Decrease) in Cash	(2,468,101)	121,519
Cash at Beginning of Year	2,685,371	2,563,852
Cash at End of Year	\$ 217,270	\$ 2,685,371

See accompanying notes.

VisionCorps

Statement of Cash Flows (continued)

	Years Ended September 30,	
	2022	2021
Cash is Comprised of the Following on the Statement of Financial Position		
Cash and cash equivalents	\$ 151,212	\$ 2,656,023
Restricted cash	66,058	29,348
	<u>\$ 217,270</u>	<u>\$ 2,685,371</u>
Supplementary Cash Flow Information		
Interest paid	<u>\$ 7,882</u>	<u>\$ 2,788</u>

Note 1 - Nature of Operations

VisionCorps (the Organization) is a Pennsylvania nonprofit corporation providing a variety of employment, educational, clinical, and social services to sight impaired individuals in Lancaster, Lebanon, Chester, and York Counties, and offers employment opportunities in Philadelphia and Mechanicsburg, Pennsylvania and Washington, DC. The Organization's primary sources of revenue are enterprise group sales and public contributions and grants.

In July 2021, VisionCorps Foundation (the Foundation) merged into the Organization. The Foundation existed to provide financial support to the Organization for projects that support employment opportunity, career development, education, and research for the benefit of persons who are blind. All assets and liabilities held by the Foundation at the date of dissolution were transferred to the Organization.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, except cash that is held in the investment accounts, which is treated as an investment.

Note 2 - Summary of Significant Accounting Policies (continued)**Accounts Receivable**

Accounts receivable that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at outstanding principal adjusted for charge offs. Account balances generally are written off when management determines such balances to be uncollectible. Management continually monitors and reviews accounts receivable balances. An allowance for doubtful accounts will be established, if necessary, at a level considered adequate to provide for losses that can be reasonably anticipated. The allowance for doubtful accounts is based on management's assessment of the collectability of specific balances and the aging of the receivables. If there is a deterioration of a customer's financial status or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due to the Organization could be adversely affected. Management has determined that an allowance for doubtful accounts was not necessary as of September 30, 2022 and 2021.

Promises to Give

Promises to give are stated at outstanding balances. The Organization considers promises to give to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received. Promises to give that are expected to be received in more than one year are discounted to present value using a risk-adjusted rate of return. Amortization of the discount is included in contribution revenue.

Inventories

Inventories consist primarily of raw materials and finished goods. Raw materials are recorded at lower of cost (first in, first out) or net realizable value. Finished goods are recorded at cost plus an allocation for applicable overhead.

Property and Equipment

Property and equipment are stated at cost if purchased, or at the estimated fair market value at the date of the gift, if contributed. The Organization capitalizes assets with a cost or fair market value in excess of \$5,000 and a useful life of at least two years. The cost of maintenance, repairs and minor renewals is expensed as incurred. Expenditures for betterments and major renewals which extend the useful life of property and equipment are capitalized. Property and equipment are depreciated on the straight-line basis over their estimated useful lives or the lease term, whichever is shorter. Land is not depreciated. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in earnings for the period. The estimated useful lives of significant property and equipment categories are as follows:

Buildings	40 years
Vehicles	2 to 5 years
Equipment	3 to 10 years
Office furniture and fixtures	3 to 10 years

Note 2 - Summary of Significant Accounting Policies (continued)**Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of the estimated future cash flows and the discount rates reflecting varying degrees of perceived risk. Management of the Organization concluded that no impairment adjustments were required during the years ended September 30, 2022 and 2021.

Investments

Investments in debt and equity securities with readily determinable fair values are reported at fair value in the statement of financial position. Contributed investments are valued at market value on the date contributed. Unrealized gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Realized gains and losses, if any, on the sale or disposal of investments are computed on a specific identification basis and are also included as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation.

Beneficial Interest in Trusts

Beneficial interest in trusts are reported at fair value, as determined by the Organization's beneficiary interest percentage in the trusts. The changes in value of beneficial interest in trusts are reported as an increases or decreases in net assets with donor restrictions.

Interest in Net Assets of a Community Foundation

Interest in net assets of a community foundation is reported at fair value as determined by the community foundation.

Deferred Revenue

Deferred revenue consists of revenue received related to special events and was received in advance of the year in which the event is scheduled to occur. Deferred revenue is recognized as income after delivery of the event.

Basis of Presentation

The Organization reports net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and are available for general operating purposes. The Board of Directors may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that are restricted for a specified purpose or passage of time or are restricted in perpetuity.

Note 2 - Summary of Significant Accounting Policies (continued)**Revenue Recognition****Contributions and Bequests**

The Organization recognizes contributions and bequests when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. 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 substantially met.

All contributions are considered to be available for operations unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as support with donor restrictions that increases that net asset class. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions.

Grants

Grant revenue deemed to be a contribution is classified as revenue with donor restrictions when received or receivable. Such grant revenue is not deemed to be in respect of exchange transactions since the proceeds thereof are non-reciprocal, unconditional, and voluntary.

The Organization also receives grant revenue, which is deemed to be in respect of exchange transactions and is classified as revenue without donor restrictions or deferred revenue, as appropriate, when received or receivable. Such grant revenue is not deemed to be a contribution since the proceeds thereof are used to pursue objectives of the grantor.

Enterprise Group Sales

The Organization recognizes enterprise group sales revenue when they satisfy a performance obligation by transferring control over a product to a customer. For tangible goods contracts, the contract is considered complete upon delivery or shipment, depending upon the F.O.B. point. For service-type contracts, the contract is considered complete when services have been performed and accepted by the customer. Operating expenses, including costs and administrative expenses, are charged as incurred to operations and not allocated to contract costs.

Fees for Services

Fees for services represents revenue earned from providing youth services. Revenue is recognized when the related services are provided. The Organization records accounts receivable when it has the unconditional right to receive payment. Revenue is billed monthly.

Note 2 - Summary of Significant Accounting Policies (continued)**Donated or Contributed Investments, Services, or Materials**

Donated or contributed investments, services, or materials meeting the criteria for recognition, are reflected in the financial statements as in-kind contributions at their estimated value on the date of receipt. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at the fair value when received.

Sales and Marketing Costs

The Organization expenses sales and marketing costs as incurred.

Shipping and Handling

Shipping and handling costs are considered a fulfillment activity and are included in items for resale and shipping on the statement of functional expenses - by natural classification. Shipping and handling costs amounted to \$982,925 and \$727,284 for the years ended September 30, 2022 and 2021, respectively.

Functional Expenses

The cost of providing the Organization's various program and supporting services have been summarized on a functional basis in the statement of functional expenses - by natural classification. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services consist of administration and development expenses. Expenses that are directly attributable to a specific program or supporting service are charged directly to the respective program or supporting service according to their natural classification. Expenses that are common to several functions are allocated based on management's estimates of time spent amongst functions.

Income Tax Status and Uncertain Tax Positions

The Organization is a not-for-profit entity described in Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from income taxes on related activities pursuant to Section 509(a) of the Code. In addition, the Organization was organized under the Pennsylvania Nonprofit Corporation Law and is exempt from state income taxes.

U.S. GAAP requires management to evaluate tax positions taken by the Organization, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Organization has taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before September 30, 2019.

Note 2 - Summary of Significant Accounting Policies (continued)**Change in Accounting Principles**

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Also, this ASU requires disclosure of a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets as well as additional information around valuation and usage of the contributed nonfinancial assets. The amendments in this standard should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. During the year ended September 30, 2022, the Organization implemented the provisions of this standard.

Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, and subsequently amended in ASU 2019-10 and 2020-05. The guidance in these ASUs supersedes the leasing guidance in Topic 840, *Leases*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases, based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The new standard is effective for privately held companies for fiscal years beginning after December 15, 2021, including interim periods within fiscal years beginning after December 15, 2022. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Note 3 - Concentration of Credit Risk

The Organization has a potential concentration of credit risk if they maintain deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation. The maximum deposit insurance amount for interest and non-interest bearing accounts is \$250,000, which is applied per depositor, per insured bank for each account ownership category. At times during the years ended September 30, 2022 and 2021, the Organization's cash balances may have exceeded the federally insured limit of \$250,000.

Additionally, the Organization invests in professionally managed investment portfolios that contain cash and cash equivalents, fixed income funds, mutual funds, exchange traded funds and common stocks. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in such risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

VisionCorps**Notes to Financial Statements**

September 30, 2022 and 2021

Note 4 - Promises to Give

As of September 30, 2022 and 2021, promises to give consist of bequests due to the Organization through wills or estate agreements. The entire amount of promises to give is due within one year.

Note 5 - Inventories

Inventories consist of the following as of September 30:

	2022	2021
Raw materials	\$ 2,650,600	\$ 2,222,087
Finished goods	849,008	829,076
Sub-assemblies	351,794	302,558
	<u>\$ 3,851,402</u>	<u>\$ 3,353,721</u>

Note 6 - Property and Equipment

Property and equipment consist of the following as of September 30:

	2022		
	Cost	Accumulated Depreciation	Net Book Value
Office furniture and fixtures	\$ 762,407	\$ (215,088)	\$ 547,319
Vehicles	373,231	(311,896)	61,335
Enterprise group equipment	1,805,862	(1,348,341)	457,521
Client services equipment	56,570	(51,038)	5,532
Building	12,382,210	(6,327,677)	6,054,533
Land	315,381	-	315,381
	<u>\$ 15,695,661</u>	<u>\$ (8,254,040)</u>	<u>\$ 7,441,621</u>
	2021		
Office furniture and fixtures	\$ 763,148	\$ (189,393)	\$ 573,755
Vehicles	373,231	(276,340)	96,891
Enterprise group equipment	1,804,019	(1,364,736)	439,283
Client services equipment	56,570	(49,053)	7,517
Building	12,377,095	(5,992,781)	6,384,314
Leasehold improvements	119,905	(118,963)	942
Land	315,381	-	315,381
	<u>\$ 15,809,349</u>	<u>\$ (7,991,266)</u>	<u>\$ 7,818,083</u>

VisionCorps

Notes to Financial Statements

September 30, 2022 and 2021

Note 7 - Investments

Investments consist of the following as of September 30:

	2022		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Fulton Financial Advisors			
Long-term reserve	\$ 7,261,022	\$ 6,716,170	\$ (544,852)
Short-term fund	1,406,402	1,401,210	(5,192)
Youth Services fund	545,725	525,280	(20,445)
Endowment fund	435,844	415,647	(20,197)
Scholarship fund	289,247	275,497	(13,750)
Robert Y. Garrett, Jr. Memorial fund	15,754	14,830	(924)
PNC			
Long-term reserve	7,248,078	6,463,543	(784,535)
Principal Marketable Securities	18,793	24,170	5,377
	<u>\$ 17,220,865</u>	<u>\$ 15,836,347</u>	<u>\$ (1,384,518)</u>
	2021		
Fulton Financial Advisors			
Long-term reserve	\$ 6,015,192	\$ 7,046,837	\$ 1,031,645
Short-term fund	2,438,632	2,427,461	(11,171)
Youth Services fund	531,578	666,072	134,494
Endowment fund	422,641	524,225	101,584
Scholarship fund	268,038	333,722	65,684
Robert Y. Garrett, Jr. Memorial fund	14,821	17,966	3,145
PNC			
Long-term reserve	6,248,545	7,082,409	833,864
Principal Marketable Securities	18,793	21,519	2,726
	<u>\$ 15,958,240</u>	<u>\$ 18,120,211</u>	<u>\$ 2,161,971</u>

Note 8 - Beneficial Interest in Trusts

The Organization is named as a beneficiary of numerous trusts held by financial institutions whereby funds are distributed in accordance with an established payment schedule. The trusts were established by persons, wills, living trust agreements, and court decrees with various terms. As the trusts are administered by third party trustees, the Organization does not determine return objectives and risk parameters or the strategies for achieving return objects. The Organization does not control the investment or spending policies for the principal of the trusts, but is allowed to spend all of its allocated investment income for its operations. The Organization's beneficiary interest allocation ranges from 2.50% to 100.00% as of September 30, 2022 and 2021.

Note 9 - Interest in Net Assets of a Community Foundation

The Organization is the beneficiary of endowment funds of the York County Community Foundation (the Foundation), a community foundation. The Foundation maintains variance power over distributions from the funds. As beneficiary, the Organization is entitled to annual distributions from the funds, based upon the Foundation's spending policy.

The organizational endowment fund created by the Organization at the Foundation is reflected in the statement of financial position as interest in net assets of a community foundation. Future contributions are at the discretion of the Board of Directors of the Organization.

In addition to the organizational endowment fund, contributions made by third parties directly to the Foundation created a designated endowment fund, which is not an asset of the Organization, and is not reflected in the statement of financial position. As of September 30, 2022 and 2021, the balance of Foundation funds in which the Organization is currently designated by the contributor as the beneficiary amounted to \$34,524 and \$42,452, respectively, which includes the fund's accumulated investment earnings in excess of annual distributions and fees.

Note 10 - Fair Value Measurements

The fair value hierarchy prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following valuation techniques were used to measure fair value of assets in the tables on the following pages on a recurring basis as of September 30, 2022 and 2021:

Cash and cash equivalents - The carrying amounts of cash and cash equivalents approximate fair value because of the short-term nature of those investments.

Fixed income funds, mutual funds, exchange traded funds and common stocks - Fair value of fixed income funds, mutual funds, exchange traded funds and common stocks funds is based on quoted market prices for the identical securities.

Note 10 - Fair Value Measurements (continued)

Beneficial interest in trusts - The beneficial interest in trusts are valued at fair value based on the Organization's interest in the fair value of the underlying assets, which approximate the present value of estimated cash flows to be received from the trusts. The present value measure is utilized as the underlying assets of each individual trust are not in the control of the Organization.

Interest in net assets of a community foundation - Fair value of the interest in net assets of a community foundation was based on the fair value as determined by the community foundation.

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

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy consist of the following as of September 30:

	2022			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 2,046,821	\$ -	\$ -	\$ 2,046,821
Fixed Income Funds				
Multi-sector	1,819,527	-	-	1,819,527
Intermediate core bonds	1,470,594	-	-	1,470,594
U.S. Treasury notes	924,466	-	-	924,466
Corporate bonds	342,179	-	-	342,179
Other fixed income	232,462	-	-	232,462
Government agency	48,851	-	-	48,851
Mutual Funds				
Large cap	1,498,894	-	-	1,498,894
International and emerging markets	1,129,317	-	-	1,129,317
Small cap/mid cap	666,370	-	-	666,370
Alternative and liquid real assets	294,539	-	-	294,539
Exchange Traded Funds	2,163,413	-	-	2,163,413

Note 10 - Fair Value Measurements (continued)

	2022			
	Level 1	Level 2	Level 3	Total
Common Stocks				
Consumer staples	\$ 204,663	\$ -	\$ -	\$ 204,663
Consumer discretionary	369,015	-	-	369,015
Energy	101,847	-	-	101,847
Financial	434,421	-	-	434,421
Healthcare	531,179	-	-	531,179
Industrials	325,079	-	-	325,079
Materials	85,683	-	-	85,683
Real estate	53,619	-	-	53,619
Technology	797,108	-	-	797,108
Communication services	188,355	-	-	188,355
Utilities	107,945	-	-	107,945
	<u>\$ 15,836,347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,836,347</u>
Beneficial Interest in Trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,849,965</u>	<u>\$ 4,849,965</u>
Interest in Net Assets of a Community Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,918</u>	<u>\$ 35,918</u>
	2021			
Cash and Cash Equivalents	\$ 718,487	\$ -	\$ -	\$ 718,487
Fixed Income Funds				
Multi-sector	1,540,970	-	-	1,540,970
Intermediate core bonds	1,826,339	-	-	1,826,339
U.S. Treasury notes	1,583,903	-	-	1,583,903
Corporate bonds	1,090,312	-	-	1,090,312
Other fixed income	464,076	-	-	464,076
Government agency	324,674	-	-	324,674
Mutual Funds				
Large cap	1,629,325	-	-	1,629,325
International and emerging markets	1,605,361	-	-	1,605,361
Small cap/mid cap	959,698	-	-	959,698
Alternative and liquid real assets	332,592	-	-	332,592
Exchange Traded Funds	2,179,171	-	-	2,179,171

Note 10 - Fair Value Measurements (continued)

	2021			
	Level 1	Level 2	Level 3	Total
Common Stocks				
Consumer staples	\$ 253,742	\$ -	\$ -	\$ 253,742
Consumer discretionary	502,396	-	-	502,396
Energy	71,755	-	-	71,755
Financial	582,114	-	-	582,114
Healthcare	588,298	-	-	588,298
Industrials	363,858	-	-	363,858
Materials	98,946	-	-	98,946
Real estate	72,047	-	-	72,047
Technology	937,192	-	-	937,192
Communication services	278,751	-	-	278,751
Utilities	116,204	-	-	116,204
	<u>\$ 18,120,211</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,120,211</u>
Beneficial Interest in Trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,128,082</u>	<u>\$ 6,128,082</u>
Interest in Net Assets of a Community Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,221</u>	<u>\$ 44,221</u>

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another.

Management has evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total assets. For the years ended September 30, 2022 and 2021, there were no transfers in or out of Level 3.

Note 11 - Lines of Credit

The Organization has a \$5,000,000 operating line of credit with Fulton Bank which is reviewed annually. Effective September 29, 2022, interest on the line of credit is equal to the Secured Overnight Financing Rate. Prior to September 29, 2022, interest was at the one-month London Interbank Offered Rate plus 1.25%. The line of credit is secured by investment assets held by the Organization. Additionally, the Organization must not sell, offer to sell, or otherwise transfer any of the collateral. There was no outstanding balance on the line of credit as of September 30, 2022 and 2021.

Note 11 - Lines of Credit (continued)

The Organization has a \$3,900,000 non-revolving line of credit with PNC Bank. The line of credit agreement was amended effective August 2, 2022. Under the amended terms, the Organization may borrow from the date of the amendment through August 31, 2024 (conversion date). Any outstanding borrowings on the line of credit will convert to a term loan on the conversion date which will mature August 31, 2026. Prior to the conversion date, the line of credit will bear interest at a floating rate equal to the daily Bloomberg Short-Term Bank Yield Index rate plus 1.00%. Interest is due and payable monthly. The line of credit is secured by cash held by the Organization. The outstanding balance on the line of credit was \$237,750 as of September 30, 2022 and 2021.

Note 12 - Notes Payable

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis. The Organization applied for a loan under this Program and received from its bank a loan in the amount of \$1,353,900 in April 2020. The loan was forgivable if the Organization met certain criteria as established under the Program. Interest on the loan was at a fixed rate of 1.00%. The loan was unsecured and did not require personal guarantees. During the year ended September 30, 2021, the Organization was notified by its bank that the loan had been forgiven in full by the Small Business Administration (SBA).

On January 6, 2021, the SBA and the Department of the Treasury released interim final rules related to the expansion and extension of the Program that was enacted on March 27, 2020 by the CARES Act. The Organization applied for and received a second loan under this program in the amount of \$1,392,601 in February 2021. The loan was forgivable if the Organization met certain criteria as established under the Program. Interest on the loan was at a fixed rate of 1.00%. The loan was unsecured and did not require personal guarantees. During the year ended September 30, 2022, the Organization was notified by their bank that the loan had been forgiven in full by the SBA.

Note 13 - Charitable Gift Annuity Obligations

Charitable gift annuities provide for periodic payment of distributions to designated individuals for the remainder of their lives. After this time period, the remaining assets are available for the Organization's use. The annuities are reflected as a liability on the Organization's statement of financial position at their net present value discounted over the expected lives of the annuitants using a discount rate. The Organization calculates the present value of the estimated future payments to the annuitants on an annual basis.

On June 24, 2016, the Organization received a contribution of \$750,000 from an individual for unrestricted use, of which \$233,842 was recorded as a charitable gift annuity liability, which was the present value of the annuity. Under the agreement, \$16,875 is paid quarterly to the beneficiary. In calculating present value of the liability, the discount rate used was 1.8%. Due to change in life expectancy of the annuitant, the obligation was recalculated as of September 30, 2021 and thereafter. The obligation for the annuity was \$59,261 and \$126,761 as of September 30, 2022 and 2021, respectively.

Note 13 - Charitable Gift Annuity Obligations (continued)

On September 15, 2020, the Organization received a contribution of \$50,000 from an individual for the technology fund, of which \$16,521 was recorded as a charitable gift annuity liability, which was the present value of the annuity. Under the agreement, \$1,075 is paid quarterly to the beneficiary. In calculating present value of the liability, the discount rate used was 0.6%. The obligation for the annuity was \$8,616 and \$12,916 as of September 30, 2022 and 2021, respectively.

As of September 30, 2022, management of the Corporation considered discounting the charitable gift annuity obligations as described above and determined the appropriate discount to be insignificant.

Note 14 - Deferred Compensation Plan Asset and Liability

The Corporation sponsors a 457(b) eligible deferred compensation retirement plan for the benefit of certain members of management as designated by the board of directors. Employer contributions are based on a percentage of employees' base pay and years of service. During the years ended September 30, 2022 and 2021, the Corporation made contributions to the plan in the amount of \$29,001 and \$25,000, respectively. Remitted assets are held in a separate investment account, which has been designated for the sole benefit of the participants. Investments are recorded at fair value. Any increase or decrease in the fair value of the assets directly increases or decreases the Corporation's liability to the participants. The Corporation derives no benefit or incurs no cost from the change in the fair value of the investment account.

Note 15 - Fees for Services

Annually, the Organization receives a grant for preschool early intervention services from the Lancaster-Lebanon Intermediate Unit #13. The total amount received from the Lancaster-Lebanon Intermediate Unit #13 during the years ended September 30, 2022 and 2021 amounted to \$15,095 and \$18,704, respectively.

Additionally, the Organization has agreements with the offices of behavioral health and mental health services of Lancaster, Lebanon, and York counties for the preschool program. The Organization is reimbursed based on the number of hours services are rendered to preschool children. The Organization received \$53,477 and \$46,883 under these contracts for the years ended September 30, 2022 and 2021, respectively.

Other fees for services amounted to \$199,542 and \$181,355 for the years ended September 30, 2022 and 2021, respectively.

The disbursement of funds received under fee for service contracts generally requires compliance with terms and conditions specified in the contracts and is subject to audit by the contracting agencies. The amount of charges to these contracts that may be disallowed, if any, by such audits cannot presently be determined and no provisions for any liability that may result has been made in the financial statements. However, management believes that the Organization is in compliance with grant requirements, and no liability has arisen in the past or is currently expected.

Note 16 - In-Kind Contributions

In-kind contributions consist of the following for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Supplies	\$ 26,955	\$ 30,420
Donated securities	17,630	112,778
Professional services	-	24,000
	<u>\$ 44,585</u>	<u>\$ 167,198</u>

Contributed supplies recognized is comprised of donations of miscellaneous supplies to be used for program services. There are no associated donor restrictions related to the donations. Contributed supplies are reported at the estimated fair value based on the value that would be paid to purchase similar products.

Donated securities are valued at market value on the date contributed. There are no associated donor restrictions related to the donations. Fair value was based on quoted market prices for the identical securities. It is the Organization's policy to sell contributed securities immediately upon receipt.

Contributed professional services recognized is comprised of accounting services provided by a third party. There are no associated donor restrictions related to the donations. Donated services are reported at the estimated fair value in the financial statements based on current rates for similar services.

Additionally, the Organization also receives a substantial amount of services donated by individuals who assist with the Organization's programs and supporting services. No amounts have been reflected in the financial statements for these services for they do not meet the criteria for recognition under professional standards. During the years ended September 30, 2022 and 2021, the Organization had volunteers who donated approximately 1,900 and 1,800 hours of service, respectively.

Note 17 - Retirement Plan

The Organization sponsors a defined-contribution 403(b) retirement plan covering employees who meet certain age and length of service requirements. The plan consists of 403(b) deferrals by eligible employees and employer matching contributions. The employer implemented a safe harbor matching contribution equal to 100% of participant salary deferrals up to 6% of compensation. Eligible employees are fully vested in their 403(b) deferral and employer matching account balances at all times. Eligible employees become vested in discretionary employer contributions according to a vesting schedule over six years. The total retirement expense for the years ended September 30, 2022 and 2021 amounted to \$378,407 and \$322,733, respectively.

Note 18 - Self-Insurance

The Organization has elected to self-insure for unemployment compensation rather than contribute to the state fund. Expenditures are recorded in the unemployment compensation fund when invoiced by the state and paid by the Organization. As of September 30, 2022, the Organization is unaware of any additional unemployment claims.

The Organization has a self-funded health insurance plan for employee health benefits. The Organization covers health care claims up to a maximum of \$50,000 per individual on an annual basis. The aggregate maximum exposure is adjusted based on the number of plan participants. The Organization has purchased stop-loss coverage for claims exceeding the Organization's individual liability. In accordance with the terms of the insurance program, the Organization faces potential exposure, which could require additional payments if the program experiences significant adverse claims development; however, management is not aware of any need to fund additional amounts as of September 30, 2022.

Note 19 - Endowment

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

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Unless specifically defined by a donor-restricted endowment fund required by donor stipulation, the Organization considers the following factors in making a determination to accumulate or appropriate endowment funds:

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

Note 19 - Endowment (continued)
Interpretation of Relevant Law (continued)

The following schedule represents the endowment net asset composition by type of endowment fund as of September 30:

	<u>2022</u>	<u>2021</u>
Endowment funds without donor restrictions	\$ 342,513	\$ 451,091
Endowment funds with donor restrictions	<u>296,464</u>	<u>299,600</u>
	<u><u>\$ 638,977</u></u>	<u><u>\$ 750,691</u></u>

The following schedule represents the changes in endowment net assets for the years ended September 30:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance as of September 30, 2020	\$ 382,426	\$ 296,728	\$ 679,154
Investment return			
Interest and dividends, net	29,111	843	29,954
Net appreciation	57,230	2,029	59,259
Disbursements	<u>(17,676)</u>	<u>-</u>	<u>(17,676)</u>
Balance as of September 30, 2021	451,091	299,600	750,691
Investment return			
Interest and dividends, net	6,995	243	7,238
Net depreciation	(95,605)	(3,379)	(98,984)
Disbursements	<u>(19,968)</u>	<u>-</u>	<u>(19,968)</u>
Balance as of September 30, 2022	<u><u>\$ 342,513</u></u>	<u><u>\$ 296,464</u></u>	<u><u>\$ 638,977</u></u>

Funds with Deficiencies

The relevant state law has no requirement to restore permanent fund deficiencies and accounting standards provide that the generally accepted rule of reporting such deficiencies as net assets without donor restrictions should be applied only in the absences of donor stipulations or laws to the contrary. The Organization has interpreted state law to allow spending of the original principal with no requirement to restore fund deficiencies to the original value. As such, the Organization has no underwater endowments as of September 30, 2022 or 2021. Any fund deficiencies are reported as reductions to net assets with donor restrictions.

Note 19 - Endowment (continued)**Return Objectives and Endowment Spending Policy**

Endowment funds are invested for balanced growth, with capital appreciation and income generation of comparable importance. Funds within the endowment accounts are allocated among equity and fixed income investments reflective of an average risk tolerance. As permitted by Pennsylvania Act 141, the Organization has adopted a total return policy with regard to its board designated endowment fund whereby 4% of the five-year average market value of the investments is deemed income available for appropriation. The Organization considers this policy to be consistent with its strategy of long-term preservation of the fair value of the assets. The Organization has not adopted a total return policy for its donor-restricted endowment fund. The Board of Directors approves disbursements from the donor-restricted endowment fund on a specific need basis.

Note 20 - Net Assets without Donor Restrictions

The Organization's net assets without donor restrictions is comprised of undesignated and board designated amounts for the following purposes as of September 30:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 25,765,507	\$ 29,309,034
Board designated		
Endowment investments	<u>342,513</u>	<u>451,091</u>
	<u>\$ 26,108,020</u>	<u>\$ 29,760,125</u>

Note 21 - Net Assets with Donor Restrictions

Net assets with donor restrictions reflect contributions which have been received for specific purposes, contributions which have been restricted due to time restrictions and for which the restrictions have not yet been met, or contributions that have been restricted in perpetuity. The earnings from the net assets restricted in perpetuity are available to be used by the Organization for general purposes. Net assets with donor restrictions are restricted for the following purposes or periods as of September 30:

	<u>2022</u>	<u>2021</u>
Purpose Restrictions		
Investments - technology	\$ 433,966	\$ 173,537
Investments - youth services	352,988	381,291
Investments - scholarships and grants	118,400	118,400
Restricted cash - client services and other	66,058	29,348
Endowment earnings accumulated - training	4,830	7,966
Time Restrictions		
Beneficial interest in trusts		
Peters trust	543,783	649,596
Vollmer trust	165,822	222,710
Promises to give	404,927	-

Note 21 - Net Assets with Donor Restrictions (continued)

	<u>2022</u>	<u>2021</u>
Perpetual		
Beneficial interest in trusts	\$ 4,140,360	\$ 5,255,776
Endowment investments	<u>291,634</u>	<u>291,634</u>
	<u>\$ 6,522,768</u>	<u>\$ 7,130,258</u>

In 2010, the Organization received a portion of the remainder of the trust under will of Kathleen D. Peters. A portion of the income is distributed semi-annually and is available for operating expenses. The principal will be held in trust for fifteen years.

In 2004, the Organization received a portion of the remainder of the trust under will of Henry Vollmer. The will appointed a trustee with discretionary powers to distribute income and principal to the Organization for its general operating expenses. The funds are time restricted until such time as the trustee releases the funds.

Note 22 - Major Customers and Suppliers

A major customer of the Organization is National Industries for the Blind, which secures United States military contracts. During the year ended September 30, 2022, net sales to this organization were \$8,758,689 with trade receivables having a balance of \$619,083 as of September 30, 2022. During the year ended September 30, 2021, net sales to this organization were \$11,175,252 with trade receivables having a balance of \$648,253 as of September 30, 2021.

During the years ended September 30, 2022 and 2021, the Organization had the following major suppliers:

	<u>2022</u>	<u>2021</u>
Team Wendy LLC	\$ 4,059,996	\$ 4,647,181
D30 US LLC	2,768,016	1,416,363
Riceland Foods, Inc.	1,280,385	1,131,750

Supplies acquired from the major suppliers are available elsewhere, but are not easily replaced with similar quality.

Note 23 - Operating Leases

The Organization leases certain facilities and equipment under non-cancelable operating leases. The leases require monthly payments with various maturity dates. Rent expense amounted to \$89,054 and \$89,783 for facility leases and \$19,462 and \$29,356 for equipment leases for the years ended September 30, 2022 and 2021, respectively.

Note 23 - Operating Leases (continued)

The building leases provide for index-based escalation in future periods. FASB Accounting Standards Codification Topic 849, *Accounting for Leases*, prescribes that rental expense should be recognized on a straight-line basis. The Organization has recorded rent expenses equal to the amounts actually paid. Management has determined the amounts paid do not differ significantly from the expense that would be recorded on a straight-line basis.

Future minimum lease payments under operating leases, assuming no change in current terms, consist of the following for the remaining two years ending September 30:

2023	\$ 25,627
2024	<u>8,045</u>
	<u>\$ 33,672</u>

In August 2022, the Organization terminated their long-term operating lease related to the Philadelphia, Pennsylvania facility and in doing so was required to pay a lump sum penalty in the amount of \$100,000. This is included in facility rent in the statement of functional expenses - by natural classification.

During the year ended September 30, 2022, the Organization also rented a temporary facility for which the lease did not extend beyond one year. Rent expense related to this temporary lease amounted to \$28,500 for the year ended September 30, 2022.

Note 24 - Pennsylvania Association for the Blind Grant

The Organization has a contract with Pennsylvania Association for the Blind (PAB) to deliver Preschool Vision Screenings and Eye Safety Education (PSE) as well as Training and Supportive Services (TSS) for Persons with Blindness/Vision Impairment in Lancaster, Lebanon, Chester, York, and Adams Counties. Individuals need to meet the set criteria to be eligible for these specific services. Services include: support services, life skills education, support groups, orientation and mobility instruction, occupational therapy, access technology, and transportation to critical destinations. Individualized plans are developed and reviewed yearly to ensure clients are receiving the services that are necessary and appropriate for them. Funding for the program flows down from the State through the Department of Human Services to PAB and then to the Organization to assist in supporting staff salaries, office space, utilities, travel and/or mileage, and training cost. The details of the grant are as follows for the years September 30:

	<u>2022</u>	<u>2021</u>
Grant received	\$ 137,066	\$ 147,510
Salary expenses	(299,505)	(274,641)
Payroll taxes	(22,912)	(21,010)
Employee benefits	(65,277)	(67,033)
Utilities	<u>(2,592)</u>	<u>(5,820)</u>
	<u>\$ (253,220)</u>	<u>\$ (220,994)</u>

Note 25 - Fundraising Activities

The Organization holds certain events to raise funds to support the mission of the Organization. Revenue and expenses related to these events are as follows for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Gross revenue	\$ 170,799	\$ 165,813
Gross expenses	<u>(72,633)</u>	<u>(71,904)</u>
	<u>\$ 98,166</u>	<u>\$ 93,909</u>

Revenue from fundraising events is reported as a component of public contributions and grants and related expenses are reported as a component of development expenses in the statement of activities.

Note 26 - Related Party Transactions

The Organization purchases various services and products which are offered by members of the Organization's Board of Directors. Insurance products and other various services purchased amounted to \$107,686 and \$154,421 for the years ended September 30, 2022 and 2021, respectively.

Note 27 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor restrictions or other designations limiting their use, within one year of the date of the statement of financial position, comprise the following as of September 30:

	<u>2022</u>	<u>2021</u>
Financial Assets		
Cash and cash equivalents and restricted cash	\$ 217,270	\$ 2,685,371
Accounts receivable	1,866,070	2,243,475
Promises to give	404,927	20,737
Investments	<u>15,836,347</u>	<u>18,120,211</u>
Total Financial Assets	<u>18,324,614</u>	<u>23,069,794</u>
Less Amounts that are Internally Designated or Externally Restricted		
Donor-imposed restrictions		
Cash and investments	(976,242)	(710,542)
Endowment investments	<u>(291,634)</u>	<u>(291,634)</u>

Note 27 - Liquidity and Availability (continued)

	<u>2022</u>	<u>2021</u>
Less Amounts that are Internally Designated or Externally Restricted (continued)		
Board designated		
Endowment investments	<u>\$ (342,513)</u>	<u>\$ (451,091)</u>
Total Amounts Not Available to be Used Within One Year	<u>(1,610,389)</u>	<u>(1,453,267)</u>
Financial Assets Available to be Used Within One Year	<u><u>\$ 16,714,225</u></u>	<u><u>\$ 21,616,527</u></u>

As part of its liquidity management, the Organization identifies financial assets available for general expenditures within one year of the statement of financial position date as part of its annual budget approval process. The Organization maintains a policy to ensure its financial assets are available to meet its expenditures and other obligations with a goal to maintain balances to meet three to six months of ordinary business expenses. Excess operating cash not needed for operations will be invested in the Organization's long-term investment accounts to be invested in accordance with its investment policy. Assets from the long-term investment can be converted to cash as necessary.

The Organization's endowment consists of a donor-restricted endowment fund and funds designated by the Board of Directors to function as an endowment. Donor-restricted endowment funds are not available for general expenditures. The endowment is subject to an annual spending rate (refer to Note 19).

The Organization also has lines of credit available to meet short-term obligations if needed (refer to Note 11).

Note 28 - Reclassifications and Prior Period Adjustment

Certain information in the 2022 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2021 financial statements.

Note 28 - Reclassifications and Prior Period Adjustment (continued)

During the year ended September 30, 2022, the Organization noted transactions that were improperly presented on the prior year financial statements. The net asset balances were restated for the following purposes:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets at September 30, 2020 (as Previously Stated)	\$ 26,137,208	\$ 5,978,491	\$ 32,115,699
Adjustments to beneficial interest in trusts	-	627,868	627,868
Reclassification of net assets with donor restrictions	<u>31,772</u>	<u>(31,772)</u>	<u>-</u>
Net Assets at September 30, 2020 (as Restated)	<u>\$ 26,168,980</u>	<u>\$ 6,574,587</u>	<u>\$ 32,743,567</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets at September 30, 2021 (as Previously Stated)	\$ 29,715,904	\$ 6,404,865	\$ 36,120,769
Adjustments to beneficial interest in trusts	-	769,614	769,614
Reclassification of net assets with donor restrictions	<u>44,221</u>	<u>(44,221)</u>	<u>-</u>
Net Assets at September 30, 2021 (as Restated)	<u>\$ 29,760,125</u>	<u>\$ 7,130,258</u>	<u>\$ 36,890,383</u>

In addition to the items included in the tables above, during the year ended September 30, 2022, the Corporation noted they previously excluded from its statement of financial position the asset and related liability related to the 457 deferred compensation plan sponsored by the Corporation. The restatement increased total assets and total liabilities by \$260,040 as of September 30, 2021.

Note 29 - Subsequent Events

The Organization has evaluated subsequent events through April 3, 2023. This date is the date the financial statements were available to be issued. No material events subsequent to September 30, 2022 were noted.