Consolidated Financial Statements and Report of Independent Certified Public Accountants

BRAILLE INSTITUTE OF AMERICA, INC.
(A California Nonprofit Corporation)

June 30, 2019
(With Summarized Comparative Financial Information for the Year Ended June 30, 2018)

Contents

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Report of Independent Certified Public Accountants

Board of Directors
Braille Institute of America, Inc.

Report on the financial statements
We have audited the accompanying consolidated financial statements of the Braille Institute of America, Inc. (the "Institute"), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Institute'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 Institute'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 enough 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 Braille Institute of America, Inc. as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Report on 2018 summarized comparative information

We have previously audited the Institute's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 6, 2018. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

Los Angeles, California
September 18, 2019

Braille Institute of America, Inc.
(A California Nonprofit Corporation)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2019
(With Summarized Comparative Financial Information as of June 30, 2018)
(In Thousands)

	2019	2018
ASSETS		
Cash and cash equivalents (Note 2)	$ 881	$ 1,669
Marketable investment securities (Note 3)	147,277	150,392
Investments in gift annuity contracts (Note 3)	4,768	5,916
Contributions receivable, net (Note 5)	1,404	1,936
Accounts receivable	195	161
Prepaid expenses and inventories	138	166
Long-term other investments (Note 6)	166	166
Beneficial interest in trusts	2,061	2,018
Other assets	417	417
Land, buildings and equipment, net (Note 7)	31,317	28,530
TOTAL ASSETS	$ 188,624	$ 191,371
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 2,263	$ 3,164
Pension liabilities (Note 9)	-	1,737
Gift annuity liabilities and benefit payments	3,549	4,129
Total liabilities	5,812	9,030
Net assets		
Net assets without donor restrictions	140,376	135,603
Net assets with donor restrictions		
Temporarily restricted	13,123	17,569
Permanently restricted	29,313	29,169
Total net assets	182,812	182,341
TOTAL LIABILITIES AND NET ASSETS	$ 188,624	$ 191,371

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

Braille Institute of America, Inc.
(A California Nonprofit Corporation)

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019
(With Summarized Comparative Financial Information for the Year Ended June 30, 2018)
(In Thousands)

	2019				2018
	Net assets without donor restrictions	Net assets with donor restrictions			
		Temporarily	Permanently		
	Unrestricted	Restricted	Restricted	Total	Total
Operating:					
Revenues:					
Public support and other revenues					
Public support:					
Bequests	$ 5,455	$ 1,946	$ -	$ 7,401	$ 9,063
Trusts	436	10	-	446	494
Contributions	1,641	1,796	122	3,559	9,318
Total public support	7,532	3,752	122	11,406	18,875
Other revenues:					
Investment income	5,608	498	-	6,106	5,657
State library appropriation	-	748	-	748	636
Rent and miscellaneous	29	-	-	29	50
Braille Challenge Grant	-	-	-	-	37
Total other revenues	5,637	1,246	-	6,883	6,380
Net assets released from restrictions:					
State library	748	(748)	-	-	-
Program and time restrictions	9,286	(9,286)	-	-	-
Total revenues	23,203	(5,036)	122	18,289	25,255
Expenses:					
Program services:					
Educational programs and services	11,726	-	-	11,726	12,166
Library services	2,828	-	-	2,828	2,810
Braille publishing, net of revenue of	832			832	786
Depreciation expense	1,222	-	-	1,222	1,188
Total program services	16,608	-	-	16,608	16,950
Supporting services:					
Administration	937	-	-	937	948
General operations	1,531	-	-	1,531	1,705
Development (fund-raising)	3,362	-	-	3,362	3,461
Marketing and communications	1,311	-	-	1,311	1,036
Depreciation expense	50	-	-	50	56
Total supporting services	7,191	-	-	7,191	7,206
Total expenses	23,799	-	-	23,799	24,156
Total change in net assets from operating activities	(596)	(5,036)	122	(5,510)	1,099
Nonoperating:					
Realized and unrealized investment gains (losses), net	4,154	590	22	4,766	9,689
Gain on sale of real property	24			24	68
Losses on disposal of Orange County Center building	-			-	(402)
Change in pension liability	-	-	-	-	(2,871)
Gain on termination of retirement plan, net	1,245			1,245	-
Change in value of beneficial interest in trusts and actuarial liability, net	(54)	-	-	(54)	(425)
Total change in net assets from nonoperating activities	5,369	590	22	5,981	6,059
Total change in net assets	4,773	(4,446)	144	471	7,158
Net assets at beginning of year	135,603	17,569	29,169	182,341	175,183
Net assets at end of year	$ 140,376	$ 13,123	$ 29,313	$ 182,812	$ 182,341

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

Braille Institute of America, Inc.
(A California Nonprofit Corporation)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019
(With Summarized Comparative Financial Information for the Year Ended June 30, 2018)
(In Thousands)

	2019	2018
Cash flows from operating activities:		
Changes in net assets	$ 471	$ 7,158
Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities:		
Depreciation	1,272	1,244
Increase in pension liability	-	3,051
Investments acquired through stock donations	(50)	(48)
Increase in beneficial interest	(42)	(81)
Actuarial adjustment for gift annuities	85	466
Unrealized gain on investments	(905)	(2,441)
Realized gain on investments	(3,818)	(7,168)
Gain on termination of pension plan, net	(1,737)	-
Gain on sale of other assets	(24)	(68)
Loss on disposal of Orange County Center building	-	164
Contributions for long-term investment in gift annuity contracts	(80)	(106)
Permanently restricted contributions within net assets with donor restrictions	(122)	(5,186)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable, prepaid expense and inventories	(7)	89
Decrease in contributions receivable	532	76
(Decrease) increase in accounts payable and accrued expenses	(901)	836
Net cash (used in)/ provided by operating activities	(5,326)	(2,014)
Cash flows from investing activities:		
Proceeds from sale of land and other assets	24	70
Capital improvements and purchases of equipment	(4,058)	(3,763)
Purchases of investments	(20,981)	(34,017)
Proceeds from sale of investments	30,017	34,878
Net cash provided by/ (used in) investing activities	5,002	(2,832)
Cash flows from financing activities:		
Contributions of gift annuity contracts	80	106
Payments of gift annuity contracts	(666)	(735)
Payments of contributions with donor restrictions	122	5,186
Net cash (used in)/ provided by financing activities	(464)	4,557
Net decrease in cash and cash equivalents	(788)	(289)
Cash and cash equivalents at beginning of year	1,669	1,958
Cash and cash equivalents at end of year	$ 881	$ 1,669
Supplemental Cash Flow Information		
Non-cash gifts - securities received	$ 50	$ 48

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

NOTE 1 - INSTITUTE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Institute

Braille Institute of America, Inc. (the “Institute”) is a private, nonprofit institute offering its programs and services at no charge to legally blind men, women and children of all ages. Its educational training, programs and services are directed toward one primary objective – helping those who have lost or never had the gift of sight to lead full, productive lives.

The Institute receives financial support through individual contributions, bequests and foundation grants. Community groups also assist significantly through sponsorship of many events and activities.

Basis of Reporting

The consolidated financial statements include the Institute and Braille Institute of America, Inc. Charitable Gift Annuity Fund (the “Fund”) and beneficial interests in charitable trusts.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

Net Assets

The Institute reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions
Net assets which are not subject to donor-imposed stipulations. The only limits on net assets without donor restrictions are the broad limits resulting from the nature of the Institute and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements. Net assets without donor restrictions include Board-designated funds and realized and unrealized investment gains and losses.

Net Assets with Donor Restrictions
Net assets with donor restrictions include net assets that are subject to donor restrictions, which the institute has defined into two categories.

Temporarily Restricted Net Assets
These are net assets resulting from contributions and other inflows of assets whose use by the Institute is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled and removed by actions of the Institute pursuant to those stipulations. All temporarily restricted net assets are available for general time restrictions related to program activities.

Permanently Restricted Net Assets
These are net assets resulting from contributions and other inflows of assets whose use by the Institute is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Institute. All permanently restricted net assets are available for endowment.

NOTE 1 - INSTITUTE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Non-Operating

Non-operating revenues and expenses include all realized and unrealized gains and losses on investments, change in value of beneficial interest in trusts and change in the pension liability. All other activity is classified as operating revenue and expense.

Donated Services

Many individuals have donated time and services to advance the Institute's programs and objectives. In some instances, the value of these services has not been recorded in the consolidated financial statements because they do not meet the requirements for recognition under US GAAP. While the value of donated labor is not reflected in the accompanying consolidated financial statements, the financial results of fund-raising and other activities are included.

Cash and Cash Equivalents

Short-term investments with an original maturity of three months or less at the time of purchase are cash equivalents. Short-term investments with an original maturity greater than three months are included in investments. Cash and cash equivalents are reported at cost, which approximates fair value. The Institute maintains cash in various financial institutions that periodically, and as of year-end, exceeds federally insured limits of $250. Management does not consider this concentration to be a significant credit risk. Certain items which meet the definition of cash equivalents but are part of a larger pool of investments are included in marketable investment securities.

Marketable Investment Securities

Marketable investment securities include bond and equity mutual funds, money market funds and bond mutual funds, are valued at fair value. Interest and dividends are accrued as earned or declared. Investments which are valued at net asset value (“NAV”) do not have any future commitments, redemption or lock up periods.

Investments for Gift Annuity Contracts

Investments for gift annuity contracts include U.S. Treasury bills and government bonds with maturities of one year or more. These investments are valued at fair value. The fair values of investments in securities traded on national securities exchanges are valued at the closing price on the last business day of the fiscal year; securities traded on the over-the-counter market are valued at the last reported bid price.

Inventories

Inventories consist of store merchandise and press department materials. Inventories are valued at the lower of cost or market on a first-in, first-out (“FIFO”) basis.

Long-Term Other Investments

Long-term other investments are carried at the lower of cost or market value, except for oil and gas lease rights, which are carried at nominal values due to uncertainties inherent in any valuation of future royalty revenues.

In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Not-for-Profit Entities: Scope – Investments,* the Institute records all in-kind donations at their fair value at the time of donation and the Institute continues to report in-kind donations at their carrying value or cost, including oil and gas interests.

NOTE 1 - INSTITUTE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Impairment of Long-Lived Assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable. The review of recoverability is based on management's estimate of the undiscounted future cash flows that are expected to result from the asset's use and eventual disposition. These cash flows consider factors such as expected future operating income, trends and prospects, as well as, the effects of competition and other factors. If an impairment event exists due to the projected inability to recover the carrying value of an asset or asset group, an impairment loss is recognized to the extent that the carrying value exceeds estimated fair value. No impairment was recorded by the Institute during the year ended June 30, 2019.

Beneficial Interest in Trusts

The Institute is also a beneficiary of irrevocable split-interest agreements, consisting primarily of charitable remainder trusts and charitable lead trusts administered by other trustees. A receivable is recorded at the estimated fair value of the amount held by the trustee that is due to the Institute. The Institute uses an interest rate commensurate with the risks involved to discount the contribution receivable. The amortization of this discount and changes in assumptions are reflected in the consolidated statement of activities as a change in value of beneficial interest.

Land, Buildings and Equipment

Additions to land, buildings and equipment are recorded at cost. Donated assets are recorded at fair value at the time of donation. Fixed assets are stated at cost less accumulated depreciation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, forty years for the building, generally three to ten years for furniture, equipment and vehicles. The Institute's policy is to capitalize all asset improvements in excess of $5 that extend the useful life or increase the utility of the property.

Taxes

The Institute follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Institute was organized pursuant to the General Nonprofit Corporation Law of the State of California. The Institute is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Institute has also been recognized by the California Franchise Tax Board as an organization that is exempt from California franchise and income taxes under Section 23701d of the California Revenue and Taxation Code. The Institute has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Institute has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

NOTE 1 - INSTITUTE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Summarized Information

The consolidated financial statements include certain prior-year summarized consolidated financial information in total, but not by net asset category. Such information does not include enough detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institute's consolidated financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Use of Estimates

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses. While management believes that these estimates are adequate as of June 30, 2019, it is possible that actual results could differ from those estimates.

Functional Expense Reporting

The costs of providing program and supporting services have been summarized by functions and direct expenses incurred. Any expense not directly chargeable to a functional expense category is allocated based on appropriate allocation methods, such as percentage of time spent or percentage of space used.

Accounts Receivable Valuation

Accounts receivable are considered by management to be fully collectible.

Revenue and Expense Recognition

Contributions, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate class of net assets. Contributions where donor restrictions are met within the same fiscal year as the contribution is received are included in net assets without donor restrictions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate.

An allowance for uncollectible contributions is estimated based upon such factors as prior collection history, type of contribution and nature of fundraising activity. Expenses are recognized when incurred.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation Certain investments in the leveling table in Note 4 have been reclassified from the leveling table to the NAV category.

NOTE 1 - INSTITUTE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recent Accounting Pronouncements
In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. The guidance specifically clarifies how investments valued using the net asset value (NAV) practical expedient within the fair value hierarchy should be classified. The ASU was issued in order to address diversity in practice. The amended standard's key position exempts investments measured using the NAV practical expedient from categorization within the fair value hierarchy and related disclosures. This ASU was adopted in the current fiscal year resulting in certain investments being removed from the leveling tables in Note 4.

In August 2016, FASB issued Accounting Standards Update ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958).* The guidance is intended to improve how a not-for-profit (NFP) entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity, financial performance and cash flows. The main provisions of this update require an NFP to do the following:

- Present net assets in two classes instead of three – net assets with donor restrictions and net assets without donor restrictions.
- Continue to present the statement of cash flows using either direct or indirect methods but no longer require the presentation of the indirect method (reconciliation) if using the direct method.
- Provide enhanced disclosures about:
    - Amounts and purposes of governing board designations;
    - Composition of net assets with donor restrictions and how the restrictions affect the use of resources;
    - Qualitative information about how an NFP manages its liquid resources;
    - Qualitative information about the availability of financial assets;
    - Expenses in both their natural and functional classes;
    - Description of cost allocation methods; and
    - Information about underwater endowments disclosing the NFP's policy, aggregate fair value of the funds, aggregate value of the original gift amount and aggregate amount by which the funds are underwater.
- Report investment return net of external and direct internal investment expenses without disclosure of the netted expenses.
- Use of the "placed-in-service" approach for reporting restriction releases for gifts used to acquire or construct long-lived assets.

The new guidance is effective for annual reporting periods beginning after December 15, 2017. The Institute adopted these provisions this year and there was no impact on any reported amounts.

(In Thousands)

NOTE 2 - CASH AND CASH EQUIVALENTS

A summary of the composition of cash and cash equivalents follows:

	June 30, 2019	June 30, 2018
Interest-bearing accounts	$ 463	$ 478
Non-interest-bearing accounts	412	1,185
Petty cash	6	6
Total	$ 881	$ 1,669

NOTE 3 - MARKETABLE INVESTMENT SECURITIES AND INVESTMENTS IN GIFT ANNUITY CONTRACTS

A summary of the composition of the Institute's marketable investment securities follows:

	June 30, 2019	June 30, 2018
Fixed income funds	$ 36,808	$ 44,464
Real estate funds	8,990	12,397
Equity mutual funds	101,335	93,419
Money market funds	144	113
Total	$ 147,277	$ 150,392

A summary of the composition of investments in gift annuity contracts follows:

	June 30, 2019	June 30, 2018
Fixed income funds	$ 1,922	$ 2,215
Real Estate funds	215	304
Equity mutual funds	2,537	3,197
Money market funds	94	200
Total	$ 4,768	$ 5,916

The Institute holds significant investments in the form of fixed-income and equity securities. Market risk is the risk of a decline in the fair value of the investment portfolio due to adverse financial market conditions. The Institute is exposed to market risk for the total amount of the investments.

NOTE 4 - FAIR VALUE OF INVESTMENTS

The Institute accounts for its investments at fair value. ASC 820*, Fair Value Measurements,* defines fair value, establishes a framework used to measure fair value, and expands disclosures about fair value measurements. This standard prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurement based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

NOTE 4 - FAIR VALUE OF INVESTMENTS - Continued

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices in active markets for identical investments as of the reporting date, without adjustment. The types of investments in Level 1 include listed equities held in the name of the Institute and exclude listed equities and other securities held indirectly through commingled funds.

Level 2 – Valuations based on inputs, including broker quotes, in markets that are not active or for which all significant inputs are either directly or indirectly observable for similar assets or liabilities as of the reporting date.

Level 3 – Valuations based on inputs that are both significant to the fair value measurement and unobservable, as they trade infrequently and therefore have little or no price transparency. These inputs into the determination of fair value require significant management judgment or estimation and typical investments of the category are privately held investments and partnership interests.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Institute evaluates its hierarchy disclosures each reporting period and based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the Institute expects that changes in classifications between different levels will be rare.

The Institute's valuation methodologies used for mutual funds measured at fair value is based on NAV of shares held by the Institute at year end.

Mutual funds – Valued at the daily closing price as reported by the fund. The funds and accounts held by the Institute are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds and accounts are required to publish their daily net asset value ("NAV") and to transact at that price. The funds and accounts held by the Institute are deemed to be actively traded. The money market funds are valued at the NAV of shares held by the Institute at year end. The funds attempt to stabilize the NAV of its shares at $1.00 by valuing the portfolio securities using the amortized cost method. The funds calculate a market-based NAV per share on a periodic basis. The funds do not guarantee that its NAV will always remain at $1.00 per share. Shares can be redeemed on a same day basis but only directly from the funds. Such transactions do not constitute an active market. Investments measured using a NAV per share, or its equivalent, are not classified in the fair value hierarchy above because they may or may not be redeemed at the NAV or because redemption at NAV is uncertain due to lock-up periods or other investment restrictions.

Separately managed accounts – Valued at the daily closing price as reported by the investment manager. To the extent that they are actively traded at a securities exchange, they are valued at quoted prices from the applicable exchange and are classified as Level 1. To the extent that valuation adjustments are applied to these securities, they are classified as Level 2.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Transfers in and out of levels are recognized as of the beginning of the reporting period. During the years ended June 30, 2019 and 2018, there were no transfers among Level 1, Level 2 or Level 3.

(In Thousands)

NOTE 4 - FAIR VALUE OF INVESTMENTS - Continued

Furthermore, although the Institute 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.

The following table summarizes the valuation of the Institute's investments by the ASC 820 fair value hierarchy levels as of June 30, 2019:

Asset class	Level 1	Level 2	Level 3	NAV	Total
Mutual funds / exchange traded funds:					
Money Market Fund (a)	$ -	$ 238	$ -	$ -	$ 238
Equity - international (b)	43,183	-	-	143	43,326
Equity - small-mid cap domestic (c)	402	-	-	51	453
Equity - large cap domestic (d)	59,747	-	-	345	60,092
Equity - real estate (e)	9,181	-	-	25	9,206
Fixed income - US and Non-US (f)	36,808	1,783	-	139	38,730
	$ 149,321	$ 2,021	$ -	$ 703	$ 152,045

The following table summarizes the valuation of the Institute's investments by the ASC 820 fair value hierarchy levels as of June 30, 2018:

Asset class	Level 1	Level 2	Level 3	NAV	Total
Mutual funds / exchange traded funds:					
Money Market Fund (a)	$ -	$ 313	$ -	$ -	$ 313
Equity - international (b)	38,226	1,040	-	129	39,395
Equity - small-mid cap domestic (c)	263	263	-	50	576
Equity - large cap domestic (d)	55,193	1,045	-	407	56,645
Equity - real estate (e)	12,674	-	-	26	12,700
Fixed income - US and Non-US (f)	44,463	2,080	-	136	46,679
	$ 150,819	$ 4,741	$ -	$ 748	$ 156,308

(a) Money market funds – Money market funds seek to provide current income while maintaining liquidity and a stable per share price.

(b) Equity – international – Comprised of mutual funds investing in equity securities of non-U.S. companies. While generally limited in their use, the funds may invest in derivative securities.

(c) Equity – small-mid cap domestic – Comprised of mutual funds investing in common stocks of U.S. companies with market capitalizations similar to companies in the Russell 2500 Index.

(d) Equity – large cap domestic – Comprised primarily of common stocks and mutual funds of U.S. companies with market capitalizations similar to companies in the Russell 1000 Index.

(In Thousands)

NOTE 4 - FAIR VALUE OF INVESTMENTS - Continued

(e) Equity – real estate – The Fund seeks to provide income and capital growth by investing primarily in publicly traded securities issued by real estate investment trusts.

(f) Fixed income – US and Non-US – Comprised of mutual funds investing in fixed income instruments of varying maturities issued primarily by U.S. public and private-sector entities and secondarily by non-U.S. entities. Fixed income instruments include investment grade bonds and high yield securities but may also be represented by derivatives including forwards, options, futures, swaps and asset-backed securities. Securities of varying maturities are permitted as well as those denominated in currencies other than the U.S. dollar.

The following table presents the category, fair value, redemption frequency, and redemption notice period for Fund investments, the fair values of which are estimated using the NAV per share as of June 30:

	2019 Fair Value	2018 Fair Value	Frequency (if currently eligible)	Redemption Notice Period
Money market funds (a)	$ 238	$ 313	Daily	Daily

(a) The funds invest in highly-quality, short-term money market instruments, including certificates of deposit, banker's acceptances, commercial paper, and other money market securities. The Fund has no unfunded commitments related to its investment in the funds as of June 30, 2019 and 2018.

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and revenue of the appropriate net asset category. Certain promises to give are recorded after discounting, at the prime rate of 3.25%, to the present value of the future cash flows. At June 30, 2019, unconditional promises are expected to be realized in the following period:

In one year or less	$ 613
Due between one and five years	878
Total	1,491
Less discount	(87)
Net receivable at June 30, 2019	$ 1,404

No allowance has been recorded as of June 30, 2019 as the Institute expect to collect all outstanding receivable.

NOTE 6 - LONG-TERM OTHER INVESTMENTS

	June 30, 2019	June 30, 2018
Long-term other investments, at cost		
Oil and gas lease rights	$ 112	$ 112
Unimproved real estate	54	54
Total	$ 166	$ 166

(In Thousands)

NOTE 7 - LAND, BUILDINGS, EQUIPMENT AND LAND HELD FOR SALE, NET

Land, buildings and equipment was comprised of the following at June 30, 2019 and 2018:

	June 30, 2019	June 30, 2018
Land	$ 9,984	$ 9,984
Buildings and improvements	56,459	48,901
Equipment	11,010	10,621
Construction in progress	-	3,984
Total land, buildings and equipment	77,453	73,490
Less accumulated depreciation	(46,136)	(44,960)
Total land, buildings, and equipment, net	$ 31,317	$ 28,530

NOTE 8 - TAX-SHELTERED SAVINGS PLAN

Effective April 1, 1990, the Institute adopted a tax-sheltered savings plan for its employees. Employees may defer up to $18.5 annually. The Institute will match 100% of the participant's deferral amount up to $2.4. Participants are 100% vested in their contributions, the Institute's matching contribution and the non-elective contribution. The Institute's year to date accrued contribution was $360 and $374 for the years ended June 30, 2019 and 2018, respectively.

NOTE 9 - RETIREMENT PLAN

On January 24, 2018, the Board of Directors approved to terminate the defined benefit retirement plan, effective June 1, 2018. The Plan was frozen to future benefit accruals effective January 1, 2008. Due to the plan termination and the November 2018 settlement of all Plan liabilities, there is the final disclosure under ASC 715 for the Plan.

The accounting assumptions used to determine the 2018-2019 Net Periodic Pension Cost (NPPC) were the same as those used to calculate the June 30, 2018 funded status. Furthermore, the 2018-2019 NPPC was calculated using a 4.00% long-term expected return on assets, based on portfolio yield information provided by Vanguard.

In order to settle its liabilities under the Plan, the Institute offered participants the option to receive either a purchased annuities or a lump-sum cash payment. Total benefit payments, administrative expenses and annuity purchases during the year ended June 30, 2019 were $43,886 reduced by $229 reimbursement from United Mutual of Omaha.

During the year ended June 30, 2019, the Plan experienced a net liability gain of $1,200 which was recognized as a component of non-operating income. This gain was due to the final termination liability being less than the estimated termination liability disclosed in the June 30, 2018 financials.

As of June 30, 2019, the transfer of all Plan assets, liabilities and administrative responsibilities was completed.

(In Thousands)

NOTE 9 - RETIREMENT PLAN - Continued

Funded Status

An accumulated pension asset measured against the obligation for pension benefits represents the funded status of a given plan. The funded status of the Institute's sponsored defined benefit plan is presented in the table below as of June 30, 2019 and 2018:

	2019	2018
Change in benefit obligation		
Benefit obligation at beginning of year	$ 44,896	$ 43,487
Interest cost	475	1,588
Actuarial (gain) loss	(1,714)	2,113
Benefits paid	(43,657)	(2,292)
Benefit obligation at end of year	-	44,896
Change in Plan assets		
Fair value of Plan assets at beginning of year	43,159	44,801
Actual return gain on Plan assets	(463)	50
Employer contribution	961	600
Benefits paid	(43,657)	(2,292)
Fair value of Plan assets at end of year	-	43,159
Funded status at end of year	$ -	$ (1,737)
Amount recognized in the consolidated statement of activities for change in pension liability	$ (17,013)	$ 2,871

Additional information for the pension plan with an accumulated benefit obligation in excess of plan assets:

	2019	2018
Projected benefit obligation	$ -	$ 44,896
Accumulated benefit obligation	$ -	$ 44,896
Fair value of Plan assets	$ -	$ 43,159

Additional information:		
Cumulative increase in minimum liability recognized directly in net assets	$ -	$ 17,013

Assumptions

Assumptions used to determine benefit obligation at June 30:

	2019	2018
Discount rate	N/A	3.36 %
Rate of compensation increase	N/A	N/A

(In Thousands)

NOTE 9 - RETIREMENT PLAN - Continued

Weighted-average assumptions used to determine net periodic benefit cost for years ended June 30:	2019	2018
Discount rate	N/A	3.36%
Expected long-term return on plan assets	N/A	4.00%
Rate of compensation increase	N/A	N/A

Plan Assets

The primary investment objective of the Plan is to generate a long-term rate of return on assets that exceeds selected performance benchmarks for each asset category and the expected rate of return used in the valuation of the benefit obligation. The assumed rate of return on Plan assets represents an estimate of long-term returns available to investors who hold a mixture of equities and fixed income securities and considers returns on comparable asset classes (both historical and forecasted).

The Plan may invest in equities and fixed income assets, subject to standards of fiduciary prudence for a defined benefit pension plan portfolio. The current long-term investment allocation is 100% fixed income. Investments are diversified according to economic sector, industry, number of holdings and other investment characteristics to minimize risk exposure.

The Institute was not required to make a contribution to the Plan for fiscal year ended June 30, 2019.

There are no estimated future benefit payments for vested participants, based on actuarial assumptions.

NOTE 10 - CHARITABLE GIFT ANNUITY FUND

The Institute offers a charitable remainder annuities program for those who desire to donate. Institute annuities are written under authority granted to it by the Insurance Commissioner of the State of California. Annuity assets are held by a bank trustee with a reserve adequate to meet estimated future payments under its outstanding annuity contracts. Payments are made from these assets to the annuity beneficiary in accordance with the contract. The gift annuity liabilities are based on the present value of future payments. Due to the separate entity concept inherent in these types of gifts, the Institute produces separate financial statements for this fund. However, the Institute is required to reflect its beneficial interest in annuity contracts in its consolidated financial statements.

NOTE 11 - ENDOWMENT FUNDS

In August 2008, the FASB issued new accounting guidance on endowments of not-for-profit organizations within ASC 205. This guidance provides for not-for-profit organizations on the net asset classifications of donor-restricted endowment funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). In addition, the guidance requires enhanced disclosures for all endowment funds. California adopted UPMIFA effective January 1, 2009. The Institute adopted the accounting standard for the year ended June 30, 2009. There is no impact of the adoption as the Institute has historically recognized all investment income into temporarily restricted net assets and releases the restriction as amounts are spent.

(In Thousands)

NOTE 11 - ENDOWMENT FUNDS - Continued

The Board of Directors has interpreted UPMIFA as requiring the preservation 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 Institute classifies as permanently restricted net assets (within the net assets with donor restriction category), (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets (within the net assets with donor restriction category) until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standards of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Institute and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Institute
- The investment policies of the Institute

The following is the endowment net asset composition by type of fund as of June 30, 2019:

	Without donor restrictions	With donor restrictions		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 3,192	$ 566	$ 29,313	$ 33,071
Total endowment funds	$ 3,192	$ 566	$ 29,313	$ 33,071

(In Thousands)

NOTE 11 - ENDOWMENT FUNDS - Continued

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	Without donor restrictions	With donor restrictions		
	Unrestricted	Temporarily Restrictions	Permanently Restrictions	Total
Endowment net assets, beginning of year	$ -	$ -	$ 29,169	$ 29,169
Investment return:				
Interest and dividend income	-	303	-	303
Net realized and unrealized gains	-	2,440	22	2,462
Interest Income & appreciation Larner	-			
Endowment Fund interest Income		657	-	657
& appreciation Pool Fund	-	64	-	64
Interest Income & appreciation Low Vision Fund		294	-	294
Bequests and contributions				
Contributions Larner	-	-	39	39
Contributions Pool Fund	-	-	83	83
Contributions Low Vision	-	-	-	-
Endowment asset released from restriction	449	(449)	-	-
Net assets released from restriction	2,743	(2,743)	-	-
Endowment net assets, end of year	$ 3,192	$ 566	$ 29,313	$ 33,071

NOTE 12 - NET ASSETS

At June 30, 2019, total temporarily restricted net assets (within net assets with donor restrictions) of approximately $13,123 are available for programs and services such as adult education and counseling, low vision rehabilitation services, library services, community outreach, Braille publishing, and child development. For the year ended June 30, 2019, $9,286 was released from restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

At June 30, 2019, permanently restricted net assets (within net assets with donor restrictions) of $29,313 are held in endowment and when investment income is earned on these funds, it is made available for programs and services as noted herein.

(In Thousands)

NOTE 13 – LIQUIDITY DISCLOSURE

The Institute maintains a policy of structuring its financial assets to be available as its operating expenses, liabilities, and other obligations come due. In addition, the Institute invests cash in excess of weekly requirements in short-term investments.

As of June 30, 2019, and 2018, the Institute had the following liquid financial assets available for the subsequent year:

June 30,	2019	2018
Cash and cash equivalents	$ 881	$ 1,669
Marketable investment securities	147,277	150,392
Investments in gift annuity contracts	4,768	5,916
Contributions receivable due in one year, net	593	695
Accounts receivable due in one year, net	195	161
Total financial assets available within one year	$ 153,714	$ 158,833
Less:		
Amounts unavailable for operating expenses within one year:		
Temporarily restricted by donors	$ (13,123)	$ (17,569)
Permanently restricted by donors	(29,313)	(29,169)
Investments in gift annuity contracts	(4,768)	(5,916)
Total financial assets available to management for operating expenses within one year	$ 106,510	$ 106,179

NOTE 14 - COMMITMENTS AND CONTINGENCIES

In the normal course of operations, the Institute is named as a defendant in lawsuits and is subject to periodic examinations by regulatory agencies. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the Institute's consolidated financial position.

(In Thousands)

NOTE 15 - FUNCTIONAL EXPENSES

The functional expenses for June 30, 2019 and 2018 are as follows:

	Library Services	Educational Programs and Services	Braille Publishing, net of revenue	Marketing and Communications	Administration and General Operations	Development (Fund-Raising)	Total Current Operating Expenditures 2019	Total Current Operating Expenditures 2018
Salaries	$ 1,227	$ 6,573	$ 430	$ 411	$ 1,384	$ 1,319	$ 11,344	$ 11,640
Employment benefits	410	2,315	133	146	439	481	3,924	4,229
Community relations	10	49	-	541	-	26	626	393
Contract labor, recruitment and training	27	68	37	-	18	2	152	220
Direct mail/Consulting	-	-	-	-	-	1,219	1,219	1,158
Dues, subscriptions and meetings	4	46	3	4	50	38	145	161
Instructional programs, services and supplies	52	255	-	-	-	-	307	298
Materials and supplies	40	95	4	2	46	10	197	181
Maintenance-Facilities/ Equipmnt/Software	645	778	79	41	143	176	1,862	1,709
Professional services	-	35	-	15	280	22	352	474
Publications	17	-	48	100	-	28	193	196
Travel and transportation	8	249	2	1	17	7	284	318
Utilities, taxes and insurance	388	1,263	96	50	91	34	1,922	1,935
Total before depreciation expenses	2,828	11,726	832	1,311	2,468	3,362	22,527	22,912
Depreciation expense	495	721	6	11	22	17	1,272	1,244
Total functional expenses	$ 3,323	$ 12,447	$ 838	$ 1,322	$ 2,490	$ 3,379	$ 23,799	$ 24,156

NOTE 16 - SUBSEQUENT EVENTS

The Institute evaluated its June 30, 2019 consolidated financial statements for subsequent events through September 18, 2019, the date the consolidated financial statements were available to be issued. The Institute is not aware of any subsequent events which would require recording or disclosure in the consolidated financial statements.