Consolidated Financial Statements and Report of Independent Certified Public Accountants

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

June 30, 2020
(With Summarized Comparative Financial Information for the Year Ended June 30, 2019)

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Braille Institute of America, Inc.

We have audited the accompanying consolidated financial statements of Braille Institute of America, Inc. (the "Institute") and subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2020, 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 sufficient and appropriate to provide a basis for our audit opinion.

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Grant Thornton

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. and subsidiaries as of June 30, 2020, 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 2019 summarized comparative information
We have previously audited the Institute's 2019 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 18, 2019. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

Los Angeles, California
September 9, 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2020
(With Summarized Comparative Financial Information as of June 30, 2019)
(In Thousands)

	2020	2019
ASSETS		
Cash and cash equivalents (Note 2)	$ 2,257	$ 881
Marketable investment securities (Note 3)	187,326	147,277
Investments in gift annuity contracts (Note 3)	3,741	4,768
Contributions receivable, net (Note 5)	889	1,404
Accounts receivable	21	195
Prepaid expenses and inventories	123	138
Long-term other investments (Note 6)	166	166
Beneficial interest in trusts	1,962	2,061
Other assets	417	417
Land, buildings and equipment, net (Note 7)	23,583	31,317
TOTAL ASSETS	$ 220,485	$ 188,624
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 2,485	$ 2,263
Gift annuity liabilities and benefit payments	3,067	3,549
Total liabilities	5,552	5,812
Net assets		
Net assets without donor restrictions	173,723	140,376
Net assets with donor restrictions		
Temporarily restricted	11,960	13,123
Permanently restricted	29,250	29,313
Total net assets	214,933	182,812
TOTAL LIABILITIES AND NET ASSETS	$ 220,485	$ 188,624

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, 2020
(With Summarized Comparative Financial Information for the Year Ended June 30, 2019)
(In Thousands)

	2020				2019
	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	$ 7,557	$ 1,827	$ -	$ 9,384	$ 7,401
Trusts	505	25	-	530	446
Contributions	1,347	1,631	25	3,003	3,559
Total public support	9,409	3,483	25	12,917	11,406
Other revenues:					
Investment income	4,916	488	-	5,404	6,106
State library appropriation	-	245	-	245	748
Rent and miscellaneous	40	-	-	40	29
Total other revenues	4,956	733	-	5,689	6,883
Net assets released from restrictions:					
State library	245	(245)	-	-	-
Program and time restrictions	5,427	(5,427)	-	-	-
Total revenues	20,037	(1,456)	25	18,606	18,289
Expenses:					
Program services:					
Educational programs and services	11,493	-	-	11,493	11,726
Library services	2,529	-	-	2,529	2,828
Braille publishing	726	-	-	726	832
Depreciation expense	1,232	-	-	1,232	1,222
Total program services	15,980	-	-	15,980	16,608
Supporting services:					
Administration	899	-	-	899	937
General operations	1,542	-	-	1,542	1,531
Development (fund-raising)	3,106	-	-	3,106	3,362
Marketing and communications	922	-	-	922	1,311
Depreciation expense	51	-	-	51	50
Total supporting services	6,520	-	-	6,520	7,191
Total expenses	22,500	-	-	22,500	23,799
Total change in net assets from operating activities	(2,463)	(1,456)	25	(3,894)	(5,510)
Nonoperating:					
Realized and unrealized investment/real property gains (losses)	35,864	293	(88)	36,069	4,766
Gain on sale of other assets	27	-	-	27	24
Gain on termination of retirement plan	-	-	-	-	1,245
Change in value of beneficial interests in trusts	(81)	-	-	(81)	(54)
Total change in net assets from nonoperating activities	35,810	293	(88)	36,015	5,981
Total change in net assets	33,347	(1,163)	(63)	32,121	471
Net assets at beginning of year	140,376	13,123	29,313	182,812	182,341
Net assets at end of year	$ 173,723	$ 11,960	$ 29,250	$ 214,933	$ 182,812

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, 2020
(With Summarized Comparative Financial Information for the Year Ended June 30, 2019)
(In Thousands)

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 32,121	$ 471
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	1,283	1,272
Investments acquired through stock donations	(59)	(50)
Decrease/(increase) in beneficial interest	99	(42)
Actuarial adjustment for gift annuities	81	85
Unrealized loss/(gain) on investments	1,756	(905)
Realized gain on investments/real property	(37,924)	(3,818)
Gain on termination of pension plan, net	-	(1,737)
Gain on sale of other assets	(27)	(24)
Contributions for long-term investment in gift annuity contracts	-	(80)
Permanently restricted contributions within net assets with donor restrictions	(25)	(122)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable, prepaid expense and inventories	189	(7)
Decrease in contributions receivable	515	532
Increase (decrease) in accounts payable and accrued expenses	222	(901)
Net cash (used in) operating activities	(1,769)	(5,326)
Cash flows from investing activities:		
Proceeds from sale of land and other assets	27	24
Capital improvements and purchases of equipment	(543)	(4,058)
Purchases of investments	(46,823)	(20,981)
Proceeds from sale of investments/real property	51,022	30,017
Net cash provided by investing activities	3,683	5,002
Cash flows from financing activities:		
Contributions of gift annuity contracts	-	80
Payments of gift annuity contracts	(563)	(666)
Payments of contributions with donor restrictions	25	122
Net cash (used in) financing activities	(538)	(464)
Net increase/(decrease) in cash and cash equivalents	1,376	(788)
Cash and cash equivalents at beginning of year	881	1,669
Cash and cash equivalents at end of year	$ 2,257	$ 881
Supplemental Cash Flow Information		
Non-cash gifts - securities received	$ 59	$ 50

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.

<u>Net Assets without Donor Restrictions</u>

Net assets that 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.

<u>Net Assets with Donor Restrictions</u>

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

<u>Temporarily Restricted Net Assets</u>

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.

Non-Operating

Non-operating revenues and expenses include all realized and unrealized gains and losses on investments and real property, 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 yea end, exceeds federally insured limits of $250. Management does not consider this concentration to be a significant credit risk. Certain items that 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 that 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 are valued at fair value. Purchases and sales of investments are recorded at trade dates. Realized gains and losses on investments are recorded based on net proceeds of individual investments less cost. Marketable investment securities including equity securities, money market funds and fixed income funds, are valued at fair value. Interest and dividends are accrued as earned or declared.

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, t*he 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.

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, 2020.

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 (the "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 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 presently has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

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 US GAAP. Accordingly, such information should be read in conjunction with the Institute's consolidated financial statements for the year ended June 30, 2019, 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, 2020, 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.

Recent Accounting Pronouncements

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 for the year ended June 30, 2019.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance will help entities evaluate whether transactions should be accounted for as contributions, or exchange transactions subject to other guidance. The guidance will also help in determining whether a contribution is conditional. The guidance is effective for fiscal years beginning after December 15, 2019. The Institute reviewed the guidance and determined that there was no impact as a result of ASU 2018-08.

(In Thousands)

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts and Customers (Topic 606)*. This standard will eliminate the transaction- and industry-specific revenue recognition guidance under current US GAAP and replace it with a principle-based approach for determining revenue recognition. The provisions in this ASU are effective for fiscal years beginning after December 15, 2019. The Institute is currently evaluating the impact of adopting this ASU.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The provisions of this ASU require accounting for operating leases in the statements of position. The provisions in this ASU are effective for fiscal years beginning after December 15, 2021. The Institute is currently evaluating the impact of adopting this ASU.

NOTE 2 - CASH AND CASH EQUIVALENTS

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

	June 30, 2020	June 30, 2019
Interest-bearing accounts	$ 1,349	$ 463
Non-interest-bearing accounts	902	412
Petty cash	6	6
Total	$ 2,257	$ 881

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, 2020	June 30, 2019
Fixed income funds	$ 45,259	$ 36,808
Real estate funds	9,836	8,990
Equity mutual funds	132,076	101,335
Money market funds	155	144
Total	$ 187,326	$ 147,277

(In Thousands)

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

	June 30, 2020	June 30, 2019
Fixed income funds	$ 1,686	$ 1,922
Real estate funds	151	215
Equity mutual funds	1,861	2,537
Money market funds	43	94
Total	$ 3,741	$ 4,768

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.

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.

(In Thousands)

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 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, 2020 and 2019, there were no transfers among Level 1, Level 2 or Level 3.

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, 2020:

Asset class	Level 1	Level 2	Level 3	NAV	Total
Mutual funds/exchange traded funds:					
Money Market Fund (a)	$ -	$ 198	$ -	$ -	$ 198
Equity - international (b)	56,209	-	-	131	56,340
Equity - small-mid cap domestic (c)	255	-	-	50	305
Equity - large cap domestic (d)	77,028	-	-	263	77,291
Equity - real estate (e)	9,962	-	-	24	9,986
Fixed income - US and Non-US (f)	45,260	1,566	-	121	46,947
	$ 188,714	$ 1,764	$ -	$ 589	$ 191,067

(In Thousands)

.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

(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.

(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.

(In Thousands)

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:

	2020 Fair Value	2019 Fair Value	Frequency (if currently eligible)	Redemption Notice Period
Equity - international (b)	$ 131	$ 143	Daily	Daily
Equity - small-mid cap domestic (c)	50	51	Daily	Daily
Equity - large cap domestic (d)	263	345	Daily	Daily
Equity - real estate (e)	24	25	Daily	Daily
Fixed income - US and Non-US (f)	121	139	Daily	Daily

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, 2020, unconditional promises are expected to be realized in the following period:

In one year or less	$ 513
Due between one and five years	419
Total	932
Less discount	(43)
Net receivable at June 30, 2020	$ 889

No allowance has been recorded as of June 30, 2020 as the Institute expect to collect all outstanding receivable.

NOTE 6 - LONG-TERM OTHER INVESTMENTS

	June 30, 2020	June 30, 2019
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, NET

Land, buildings and equipment was comprised of the following at June 30, 2020 and 2019:

	June 30, 2020	June 30, 2019
Land	$ 6,485	$ 9,984
Buildings and improvements	49,024	56,459
Equipment	11,228	11,010
Total land, buildings and equipment	66,737	77,453
Less accumulated depreciation	(43,154)	(46,136)
Total land, buildings, and equipment, net	$ 23,583	$ 31,317

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 $19 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 $357 and $360 for the years ended June 30, 2020 and 2019, 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.

(In Thousands)

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

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:

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

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

	2019
Projected benefit obligation	$ -
Accumulated benefit obligation	$ -
Fair value of Plan assets	$ -
Additional information:	
Cumulative increase in minimum liability recognized directly in Net assets	$ -

Assumptions

Assumptions used to determine benefit obligation at June 30:

	2019
Discount rate	N/A
Rate of compensation increase	N/A

Weighted-average assumptions used to determine net periodic benefit cost for years ended June 30:

	2019
Discount rate	N/A
Expected long-term return on plan assets	N/A
Rate of compensation increase	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, 2020. 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.

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

(In Thousands)

The following is the endowment net asset composition by type of fund as of June 30, 2020:

	Without donor restrictions	With donor restrictions		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 2,683	$ (50)	$ 29,250	$ 31,883
Total endowment funds	$ 2,683	$ (50)	$ 29,250	$ 31,883

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without donor restrictions	With donor restrictions		
	Unrestricted	Temporarily Restrictions	Permanently Restrictions	Total
Endowment net assets, beginning of year	$ -	$ -	$ 29,313	$ 29,313
Investment return:				
Interest and dividend income	-	228	-	228
Net realized and unrealized gain	-	1,669	(88)	1,581
Interest Income and appreciation Larner	-	476	-	476
Endowment Fund interest Income & appreciation Pool Fund	-	42	-	42
Interest Income and appreciation Low Vision	-	218	-	218
Bequests and contributions				
Contributions Larner	-	-	-	-
Contributions Pool Fund	-	-	25	25
Contributions Low Vision	-	-	-	-
Endowment asset released from restriction	786	(786)	-	-
Net assets released from restriction	1,897	(1,897)	-	-
Endowment net assets, end of year	$ 2,683	$ (50)	$ 29,250	$ 31,883

(In Thousands)

NOTE 12 - NET ASSETS

At June 30, 2020, total temporarily restricted net assets (within net assets with donor restrictions) of approximately $11,960 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, 2020, $5,427 was released from restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

At June 30, 2020, permanently restricted net assets (within net assets with donor restrictions) of $29,250 are held in endowment and when investment income is earned on these funds, it is made available for programs and services as noted herein.

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, 2020 and 2019, the Institute had the following liquid financial assets available for the subsequent year:

	June 30, 2020	June 30, 2019
Cash and cash equivalents	$ 2,257	$ 881
Marketable investment securities	187,326	147,277
Investments in gift annuity contracts	3,741	4,768
Contributions receivable due in one year, net	496	593
Accounts receivable due in one year, net	21	195
Total financial assets available within one year	$ 193,841	$ 153,714
Less:		
Amounts unavailable for operating expenses within one year:		
Temporarily restricted by donors	$ (11,960)	$ (13,123)
Permanently restricted by donors	(29,250)	(29,313)
Investments in gift annuity contracts	(3,741)	(4,768)
Total financial assets available to management for operating expenses within one year	$ 148,890	$ 106,510

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, 2020 and 2019 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 2020	Total Current Operating Expenditures 2019
Salaries	$ 985	$ 6,923	$ 372	$ 414	$ 1,400	$ 1,559	$ 11,653	$ 11,344
Employment benefits	276	2,010	95	114	377	425	3,297	3,924
Community relations	6	31	-	250	-	2	289	626
Contract labor, recruitment and training	4	62	35	-	23	5	129	152
Direct mail/Consulting	-	-	-	-	-	838	838	1,219
Dues, subscriptions and meetings	3	31	2	1	54	44	135	145
Instructional programs, services and supplies	37	180	-	-	-	-	217	307
Materials and supplies	15	62	8	1	58	7	151	197
Maintenance-Facilities/Equipment/Software	683	773	82	44	176	175	1,933	1,862
Professional services	101	27	-	-	283	-	411	352
Publications	12	-	35	56	-	14	117	193
Travel and transportation	6	165	-	1	9	4	185	284
Utilities, taxes and insurance	401	1,229	97	41	61	33	1,862	1,922
Total before depreciation expenses	2,529	11,493	726	922	2,441	3,106	21,217	22,527
Depreciation expense	497	729	6	12	23	16	1,283	1,272
Total functional expenses	$ 3,026	$ 12,222	$ 732	$ 934	$ 2,464	$ 3,122	$ 22,500	$ 23,799

NOTE 16 - SUBSEQUENT EVENTS

In March 2020, the World Health Organization categorized Coronavirus Disease 2019 (COVID-19) as a pandemic. The outbreak of COVID-19 has severely impacted the global economy, including closures of non-essential services which triggered significant disruptions to local economies and organizations, including Braille Institute of America.

In keeping with guidelines from the State of California and the Los Angeles County Department of Public Health, the Institute has been closed to the public since mid-March 2020. Accordingly, all educational programs and services have been delivered remotely. The financial position and results of operations as of and for the year ended June 30, 2020 have not been adjusted to reflect the impact of COVID-19 which remains unclear. It is not possible to reliably estimate the duration and severity of COVID-19 on the Institute's financial position and operational results for future periods.

The Institute continues to manage the risk to operations posed by the global COVID-19 pandemic. For much of the last two quarters of 2020, the Institute workforce worked from home except for some employees conducting minimum basic operations such as the accounting and facility staff who are essential for processing cash and maintaining facilities. Even as various stay-at-home orders were lifted, most employees continue to work from home. Fortunately, they have suitably adapted to the changed business environment that now exists by providing robust services to Institute students remotely.

The COVID-19 pandemic continues to evolve rapidly, and its ultimate impact remains highly uncertain. Management does not yet know the full extent of potential delays or impacts on the Institute, the community or the global economy. The Institute does not expect the COVID-19 pandemic to negatively impact near-term revenues or operations. Management will continue to monitor COVID-19 and potential volatility in the market. Management has not yet determined the full financial impact of these events.

The Institute evaluated its June 30, 2020 consolidated financial statements for subsequent events through September 9, 2020, 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.