

**AMERICAN BROTHERHOOD FOR THE BLIND
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND
T/A BLIND CHILDREN AND ADULTS ACTION FUND OF AMERICA**

FINANCIAL STATEMENTS

DECEMBER 31, 2023



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Independent Auditor's Report

To the Board of Directors and Officers of American Brotherhood for the Blind T/A American Action Fund for Blind Children and Adults and T/A Blind Children and Adults Action Fund of America

Opinion

We have audited the financial statements of American Brotherhood for the Blind (the "Action Fund") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Action Fund as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Action Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Independent Auditor's Report (Continued)

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Rosen, Sapperstein & Friedlander, LLC

Rosen, Sapperstein & Friedlander, LLC

Baltimore, Maryland

March 21, 2024

**AMERICAN BROTHERHOOD FOR THE BLIND
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND
T/A BLIND CHILDREN AND ADULTS ACTION FUND OF AMERICA
STATEMENT OF FINANCIAL POSITION
December 31, 2023**

ASSETS

Cash and cash equivalents	\$ 2,129,648
Prepaid expenses	74,588
Other receivables	23,214
Investments	31,893,629
Investment - Trust	320,243
Other investments - life insurance	1,685,152
Property and equipment - net	<u>214,042</u>
TOTAL ASSETS	<u>\$ 36,340,516</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 163,523
Accrued annuity benefit	<u>92,816</u>

TOTAL LIABILITIES 256,339

NET ASSETS

Without donor restrictions	35,756,667
With donor restrictions	<u>327,510</u>

TOTAL NET ASSETS 36,084,177

TOTAL LIABILITIES AND NET ASSETS **\$ 36,340,516**

See Accompanying Notes to Financial Statements

**AMERICAN BROTHERHOOD FOR THE BLIND
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND
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STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Public support			
Contributions	\$ 3,233,229	\$ 4,744	\$ 3,237,973
Donated services	963,358	-	963,358
Total public support	4,196,587	4,744	4,201,331
Net investment income	3,534,600	25,488	3,560,088
TOTAL REVENUES, GAINS AND OTHER SUPPORT	7,731,187	30,232	7,761,419
EXPENSES			
Program services			
Braille publications and programs	790,167	-	790,167
Tools for independence	82,803	-	82,803
Specialized programs and services	3,213,870	-	3,213,870
Total program services	4,086,840	-	4,086,840
Supporting services			
Management and general	221,488	-	221,488
Fundraising	825,878	-	825,878
Total supporting services	1,047,366	-	1,047,366
TOTAL EXPENSES	5,134,206	-	5,134,206
CHANGES IN NET ASSETS	2,596,981	30,232	2,627,213
NET ASSETS - BEGINNING OF YEAR	33,159,686	297,278	33,456,964
NET ASSETS - END OF YEAR	\$ 35,756,667	\$ 327,510	\$ 36,084,177

See Accompanying Notes to Financial Statements

**AMERICAN BROTHERHOOD FOR THE BLIND
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND
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STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2023**

	PROGRAM SERVICES				SUPPORTING SERVICES			GRAND TOTAL
	Braille Publications and Programs	Tools for Independence	Specialized Programs and Services	Total	Management and General	Fundraising	Total	
Volunteer services	\$ 240,840	\$ 9,634	\$ 712,885	\$ 963,359	\$ -	\$ -	\$ -	\$ 963,359
Salaries	21,222	3,537	290,030	314,789	21,222	17,685	38,907	353,696
Payroll related expenses	6,885	1,147	94,097	102,129	6,885	5,738	12,623	114,752
Total salaries and related expenses	268,947	14,318	1,097,012	1,380,277	28,107	23,423	51,530	1,431,807
Supplies	28,388	62,744	9,052	100,184	2,864	-	2,864	103,048
Postage and shipping	37,989	65	325,072	363,126	397	371,481	371,878	735,004
Printing and publications	339,193	1,970	985,902	1,327,065	31,852	379,490	411,342	1,738,407
Travel	3,664	2,511	10,318	16,493	9,380	-	9,380	25,873
Conferences and conventions	1,143	50	2,180	3,373	1,982	-	1,982	5,355
Professional fees	18,992	299	134,816	154,107	60,856	51,465	112,321	266,428
Telephone	379	95	108	582	32	19	51	633
Occupancy	3,848	462	10,620	14,930	462	-	462	15,392
Awards and grants	71,145	-	543,750	614,895	-	-	-	614,895
Information technology	8,329	289	21,688	30,306	-	-	-	30,306
Data processing	8,150	-	73,352	81,502	81,502	-	81,502	163,004
Other	-	-	-	-	4,054	-	4,054	4,054
TOTAL EXPENSES	\$ 790,167	\$ 82,803	\$ 3,213,870	\$ 4,086,840	\$ 221,488	\$ 825,878	\$ 1,047,366	\$ 5,134,206

See Accompanying Notes to Financial Statements

**AMERICAN BROTHERHOOD FOR THE BLIND
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STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 2,627,213
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Unrealized gain on investments	(2,297,689)
Realized gain	(398,626)
Change in accrued annuity benefit	(4,744)
Decrease (increase) in operating assets:	
Prepaid expenses	31,001
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	<u>(119,857)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(162,702)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash paid for investments	(7,233,772)
Proceeds from sale of investments	7,422,881
Cash received on redemption of cash surrender value of life insurance	407,633
Cash received on principal amount of notes receivable	5,125
Cash paid on issuance of notes receivable	<u>(15,000)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>586,867</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	424,165
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,705,483</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,129,648</u></u>

See Accompanying Notes to Financial Statements

**AMERICAN BROTHERHOOD FOR THE BLIND
T/A AMERICAN ACTION FUND FOR BLIND CHILDREN AND ADULTS AND
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NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

The American Brotherhood for the Blind T/A American Action Fund for Blind Children and Adults and T/A Blind Children and Adults Action Fund of America (Action Fund), headquartered in Baltimore, Maryland, is a 501(c) (3) nonprofit service agency which specializes in providing help to blind people that is not readily available to them from government programs and other existing service systems. The Action Fund fulfills its mission by focusing its efforts in three primary program service areas. Although each program service has a particular area of focus, all three programs working in relationship with each other are required to remove the artificial social, cultural, and educational obstacles which prevent blind children and adults from full participation in society.

Braille Publications and Programs— Beginning with early tactile exploration activities and pre-reading programs, blind children are offered multiple services and activities for acquisition of Braille reading and writing skills needed for successful adulthood, including summer braille instruction, Braille reading contests, free hard copy Braille books and electronic Braille ready files for on -site production of hard copy books. These and similar activities are coupled with mass communication programs to raise public understanding and support for requiring Braille reading and writing instruction for blind children and youth in private elementary and secondary schools.

Tools for Independence—White canes, slates and styluses for writing Braille, and Braille calendars are provided to blind individuals without charge upon request.

Specialized Programs and Services—This service area focuses on activities to eliminate massive systemic barriers embedded in education, employment; transportation, governmental services, commerce, recreation, housing, retail establishments, medical facilities, website and other exclusively visual electronic screen- based information systems, devices, and tools along with all other forms of exclusion based on misunderstandings of the true nature of the problems caused by lack of eyesight. These activities are multifaceted and include: Direct services to blind individuals; support for parents of blind children; massive broad-based communications to and interaction with individuals, public and private entities and organizations aimed at making changes to public perceptions about blindness; leadership training; support for self-advocacy and self-organization groups; legal advocacy; support for creation and distribution of new tactile methods for access to information; efforts to locate blind people needing assistance; and collaboration with other entities working toward similar goals.

Use of Estimates

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

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NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The Action Fund's financial statements are prepared on the accrual method of accounting, which recognizes revenues and the related assets when earned, and expenses and the related liabilities when obligations are incurred.

The Action Fund follows the Presentation of Financial Statements for Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. This pronouncement sets standards for the financial statement presentation for not-for-profit organizations. The Action Fund is required to report information regarding its financial position and activities according to two (2) classes of net assets: without donor restrictions and with donor restrictions based on the existence or absence of donor-imposed restrictions. Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions.

Net assets without donor restriction are net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board can designate, from net assets without donor restrictions, net assets for specific purposes.

Donor restricted net assets include assets held in trust through the donor's lifetime, and scholarship and book funds, where the donor has restricted that only the income may be used for its stated purpose and that the corpus may not be invaded. Donor restricted contributions whose restrictions are met in the same reporting period are reported as revenue within net assets without donor restrictions.

Recently Adopted Accounting Pronouncement

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through changes in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Action Fund that are subject to the guidance in FASB ASU 2016-13 were other receivables.

The Action Fund adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

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NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Action Fund follows both Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) and ASU 2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). ASU 2014-09 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The ASU requires that the Action Fund recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Action Fund expects to be entitled in exchange for those goods or services.

ASU 2018-08 clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchanged transactions. This guidance is preferable in that it clarifies whether to account for transactions as contributions or as exchanged transactions. In addition, it clarifies whether a contribution is conditional. Contributions should follow the guidance in FASB Accounting Standards Codification (FASB ASC) 958-605, Not-for-Profit Entities—Revenue Recognition, whereas, for exchange transactions, an entity should follow other guidance such as FASB ASC 606, Revenue from Contracts with Customers.

The Action Fund follows the Revenue Recognition for Not-for-Profit Entities topic of the FASB ASC 958-605. In accordance with this standard, contributions received are recorded as without donor restrictions or with donor restrictions. All contributions received are considered to be available without restrictions unless specifically restricted by the donor.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Action Fund considers all highly liquid investments purchased with an original maturity of three (3) months or less to be a cash equivalent.

Financial Credit Risk

The Action Fund maintains its cash balances at several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to insured limits. As of December 31, 2023, the Action Fund's cash balances were in excess of these insured limits. Management believes that the Action Fund is not exposed to any significant credit risk with respect to its cash balances. In addition, the Action Fund generally maintains investment balances in excess of the Securities Investor Protection Corporation (SIPC) limits.

The Action Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the value reported in the financial statements.

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NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Notes Receivable

Notes receivable consist of program-related loans to organizations and individuals who support the Action Fund's mission of encouraging independence and supporting entrepreneurship among the blind. The Action Fund recognizes an allowance for losses on notes receivable in an amount equal to the current expected credit losses. The estimation of the allowance is based on an analysis of historical loss experience and management's assessment of current conditions and reasonable and supportable expectation of future conditions, as well as an assessment of specific identifiable accounts considered at risk or uncollectible. The Action Fund assesses collectability by pooling receivables where similar characteristics exist and evaluates receivables individually when specific balances no longer share those risk characteristics and are considered at risk or uncollectible. The expense associated with the allowance for expected credit losses is recognized in management and general expenses on the statements of activities. Management believes that all notes receivable are fully collectible and will continue to be fully collectible and no allowance for credit loss has been recorded. The Action Fund's policy for estimating this allowance is based on an expected loss model and reflects the adoption of the new accounting standard related to current expected credit losses in the current year. In prior periods, this allowance was estimated using the incurred loss model, which did not require the consideration of forward-looking information and conditions in the reserve calculation.

Past due receivable balances are written off when collection efforts have been unsuccessful in collecting the amounts due. If recoveries are made from any accounts previously written off, they will be recognized as income in the year of recovery. There were no write-offs for the year ended December 31, 2023.

Investments

The Action Fund's investment portfolio is classified as trading and is reported at its fair value, based on quoted market prices at December 31, 2023. Realized and unrealized holding gains and losses on trading securities with readily determinable market values are included in net investment income (loss) in the statements of activities.

Other Investments – Life Insurance

The Action Fund invests in life insurance policies on members of management. A policy is issued on the insured party, the Action Fund is the owner and beneficiary of the policy and as such pays all premiums.

Property and Equipment

Property and equipment is recorded at cost, net of accumulated depreciation. Major additions and betterments are charged to the asset accounts while maintenance and repairs which do not improve or extend the lives of the assets are expensed when incurred. Contributed property, including collections, is recorded at fair value at the date of donation. The Action Fund has elected to capitalize all collections purchased or received as contributions.

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NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

The collections include a Braille Library consisting of collected works, are not depreciated and have no donor restrictions. Collection items are protected, cared for and preserved. Upon the sale or other disposition of assets, the cost and related accumulated depreciation are removed from the respective accounts, and any resulting gain or loss are included in operations. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the respective assets.

Valuation of Long-Lived Assets

The Action Fund accounts for the valuation of long-lived assets under the Impairment or Disposal of Long-Lived Assets topic of the FASB Accounting Standards Codification. Long-lived assets, such as property and equipment and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, and evaluated at least annually. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position. Management believes the value of long-lived assets exceed the carrying value as of December 31, 2023.

Accrued Annuity Benefit

The Action Fund had established a charitable gift annuity program where donors may contribute assets to the Action Fund and in return receive a guaranteed fixed income for life. The Action Fund maintains a segregated investment account to hold reserves required for gift annuity instruments. The investment reserve balance related to this program amounted to \$320,243 as of December 31, 2023. The Action Fund recognizes contribution revenue for the difference between the fair value of the assets received and the annuity liability. The gift annuity liability represents monies restricted until the annuity is satisfied.

Annuity benefit liabilities are recorded for the required life annuity payments at the present value of expected future cash payments discounted using interest rates at the date of gift and actuarial assumptions. The calculation of the liability includes the donor's estimated life expectancy. The annuity obligations are adjusted each year for changes in the life expectancy of the beneficiaries and are reduced as payments are made to the donor. This program has since been discontinued. The annuity benefit liability at December 31, 2023 includes future payments for beneficiaries who entered the program prior to its termination (see Note 3).

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NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Action Fund is exempt from federal income taxes under Internal Revenue Code Section 501(c) (3). There were no income taxes paid on unrelated business activities for the year ended December 31, 2023.

Accounting for Uncertainty in Income Taxes

The Action Fund adopted the Accounting for Uncertainty in Income Taxes standard of the FASB Accounting Standards Codification. The standard requires the recognition and measurement of uncertain tax positions taken or expected to be taken by the Action Fund in the preparation of its tax returns. The Action Fund determines whether it is more-likely-than-not that a certain tax position will be sustained upon examination by a taxing authority. If an uncertain tax position is less-likely-than-not to be sustained, an estimate of the potential effect is recognized in the financial statements and the uncertain tax position is required to be disclosed. Per the Action Fund's evaluation as of December 31, 2023, including all prior tax years subject to examination, it was determined that no material adjustments were required in the financial statements for tax positions less-likely-than-not to be sustained upon examination by a taxing authority. The Action Fund believes it is no longer subject to income tax examinations for years prior to 2020.

Contributed Nonfinancial Assets

The Action Fund has adopted the Revenue Recognition for Not-for-Profit Entities topic of the FASB Accounting Standards Codification in the recognition of contributed nonfinancial assets. Contributed nonfinancial assets includes donated services. Donated services are recognized at fair value at the time of donation if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services consist of volunteer services.

Volunteer services are recorded on the basis of time spent at rates paid by other organizations for comparable services. The volunteer services primarily consist of services for the orientation and adjustment to blindness and blindness advocacy, as well as accounting and administrative services. The volunteer services are recorded as both public support and program services; therefore, there is no effect on the change in net assets. No amounts have been reflected in the financial statements for the volunteer accounting and administrative services since they do not meet the criteria for recognition. The volunteer services did not have donor restrictions.

Functional Expense Allocations

The financial statements report certain costs that are attributable either to more than one program function and / or to one or more program function in conjunction with one or more supporting function. Such costs are reported according to their natural expense category and then allocated to the appropriate functional category on a reasonable basis that is consistently applied.

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NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expense Allocations (Continued)

Salaries are allocated on the basis of estimates of time and effort; occupancy costs are allocated on the basis of square footage; other natural costs are allocated on the basis of management identification based on observation and professional evaluation of the direct benefit of the cost to a particular program function or supporting function.

If a joint cost is incurred for an activity that includes both informational messages and fundraising appeals, that cost is also evaluated on the basis of the content of the messages, reasons for distributing the messages, and the audience to whom the message is distributed.

Subsequent Events

Events that occurred subsequent to December 31, 2023 have been evaluated by the Action Fund's management for potential recognition or disclosure in the financial statements through the date of the independent auditor's report, which is the date the financial statements were available to be issued. The Action Fund did not have any material recognizable subsequent events during this period.

NOTE 2 – NOTES RECEIVABLES

Notes receivable at December 31, 2023 consists of business and job related loans made with individuals who support the Action Fund's mission of encouraging independence and supporting entrepreneurship among the blind. The loans bear interest at 3% per annum and mature in December 2026. The outstanding balance due the Action Fund at December 31, 2023 amounted to \$23,214. The balance is included in other receivables in the statement of financial position.

NOTE 3 – INVESTMENT – TRUST

An irrevocable trust was created for the eventual benefit of the Action Fund. The terms of the Trust state that upon the death of Ramona Walhof, the property held by the Trust becomes the property without restriction of the Action Fund. The contribution was recognized as income in the year of the donation. The Action Fund has agreed to make annuity payments of approximately \$24,000 per year to Mrs. Walhof. The present value of these payments over Mrs. Walhof's remaining lifetime is currently estimated at \$92,816 as of December 31, 2023. All provisions of the Trust Agreement remain unchanged.

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NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2023 is summarized as follows:

Braille library - collected works	\$ 214,045
Office furniture and equipment	19,551
Braille press equipment	52,567
Braille lending library	<u>132,492</u>
	418,655
Less: Accumulated depreciation	<u>(204,613)</u>
Property and equipment - net	<u><u>\$ 214,042</u></u>

There was no depreciation expense for the year ended December 31, 2023.

NOTE 5 – FAIR VALUE MEASUREMENTS

The Action Fund accounts for the fair value of its investments under the Fair Value Measurement topic of the FASB Accounting Standards Codification, which provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three (3) levels of the fair value hierarchy under this guidance are described as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Action Fund has the ability to access.

Level 2

Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

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

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Mutual funds, common and preferred stocks, and corporate bonds: Valued at the daily closing price as reported by the funds/bonds. They are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV), to transact at that price, and are deemed to be actively traded.

Alternative investments: Consists of mutual funds which are illiquid and valued at net asset value (NAV) using daily, monthly and quarterly valuations.

Investments in life insurance: Valued at accumulated value, net of surrender charges.

Other investments: Valued at cost.

Accrued annuity benefits: Valued at the present value of expected future cash payments discounted using the interest rates at the time of the gift and actuarial assumptions.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Action Fund 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.

There have been no changes in the methodologies used at December 31, 2023. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

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NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Action Fund's assets and liabilities at fair value at December 31, 2023:

<u>Payor Class</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
<u>Assets:</u>				
Corporate bonds	\$ 2,401,790	\$ -	\$ -	\$ 2,401,790
Common and preferred stocks	4,386,043	-	-	4,386,043
Mutual funds	16,853,358	-	-	16,853,358
Alternative investments	-	8,492,669	-	8,492,669
Other investments	-	-	80,012	80,012
Investments subtotal	23,641,191	8,492,669	80,012	32,213,872
Other investments - life insurance	-	-	1,685,152	1,685,152
Assets at fair value	<u>\$ 23,641,191</u>	<u>\$ 8,492,669</u>	<u>\$ 1,765,164</u>	<u>\$ 33,899,024</u>
<u>Liabilities:</u>				
Accrued annuity benefits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,816</u>	<u>\$ 92,816</u>

There are private equities included in alternative investments above that have unfunded commitments in the amount of \$2,881,230 as of December 31, 2023. Included in the investments above are investments that are donor restricted in the amount of \$420,243 as of December 31, 2023.

The following table sets forth a summary of changes in the fair value of the Action Fund's level 3 assets and liabilities during the year ended December 31, 2023:

	<u>Assets</u>	<u>Liabilities</u>
Balance - beginning of year	\$ 1,835,851	\$ 97,560
Accrued annuity benefit adjustment	-	(4,744)
Redemption of cash surrender value	(407,633)	-
Net increase in cash surrender value	<u>336,946</u>	<u>-</u>
Balance - end of year	<u>\$ 1,765,164</u>	<u>\$ 92,816</u>

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NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

The Action Fund's return on investments for the year ended December 31, 2023 consisted of the following components:

	Without donor restrictions	With donor restrictions	Total
Interest and dividends	\$ 1,138,208	\$ 7,743	\$ 1,145,951
Net realized gains (losses)	399,151	(525)	398,626
Net change in unrealized gains (losses)	2,112,529	46,104	2,158,633
Life insurance - net of premiums	139,056	-	139,056
Investment expense	<u>(254,344)</u>	<u>(27,834)</u>	<u>(282,178)</u>
Net investment income	<u>\$ 3,534,600</u>	<u>\$ 25,488</u>	<u>\$ 3,560,088</u>

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31, 2023 are as follows:

Investment in property and equipment	\$ 214,042
Undesignated	<u>35,542,625</u>
Total net assets without donor restrictions	<u>\$ 35,756,667</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2023 are as follows:

Scholarship fund	\$ 50,000
Book fund	50,000
Assets held in trust	<u>227,510</u>
Total net assets with donor restrictions	<u>\$ 327,510</u>

NOTE 8 – ALLOCATION OF JOINT COSTS

The Action Fund incurred joint costs of \$1,472,493 for information materials and activities that included fund raising appeals. Of those costs, \$750,971 was allocated to fundraising expense and \$721,522 was allocated to specialized programs and services. Management based these allocations on an analysis of the content of the materials, reasons for distributing the materials and the audience to whom the materials were distributed.

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NOTE 9 – RETIREMENT PLAN

The Action Fund has a qualified 403(b) retirement plan for the benefit of all eligible employees. Eligible employees may make voluntary contributions to the plan not to exceed the Internal Revenue Service limits. The Action Fund did not make any contributions to the plan during the year. In addition, the Action Fund has a nonqualifying 457(b) retirement plan. The Action Fund's contribution to this plan for the year ended December 31, 2023 amounted to \$22,500.

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Action Fund's financial assets available to meet cash needs for general expenditures within one year of December 31, 2023 are as follows:

Cash and cash equivalents	\$ 2,129,648
Other receivables	23,214
Investments	31,893,629
Investment - Trust, net of liabilities	227,427
Other investments - life insurance	<u>1,685,152</u>
Total financial assets	35,959,070
Donor imposed restrictions	
Scholarship fund	(50,000)
Book fund	(50,000)
Assets held in trust	<u>(227,510)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 35,631,560</u>

As part of the Action Fund's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Action Fund invests cash in excess of daily requirements in short term investments. General expenditures are expenses the Action Fund expects to disburse for program and supporting services.