REPORT OF INDEPENDENT AUDITORS AND
CONSOLIDATED FINANCIAL STATEMENTS

THE LIGHTHOUSE FOR THE BLIND, INCORPORATED AND ITS FOUNDATION

September 30, 2020 and 2019

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MOSSADAMS

Report of Independent Auditors

To the Board of Trustees
The Lighthouse for the Blind, Incorporated and Its Foundation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Lighthouse for the Blind, Incorporated and Its Foundation, which comprise the consolidated balance sheets as of September 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Lighthouse for the Blind, Incorporated and Its Foundation as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Seattle, Washington
February 10, 2021

ASSETS

	September 30, 2020	September 30, 2019
CURRENT ASSETS		
Cash and cash equivalents	$ 12,585,151	$ 7,326,597
Accounts receivable, net of allowance for doubtful accounts of $150,000 and $100,000, respectively	8,558,099	7,896,406
Other receivables	378,092	395,061
Inventory, net of reserve of $697,000 and $659,000, respectively	30,344,859	16,245,283
Other assets	426,523	219,776
Total current assets	52,292,724	32,083,123
INVESTMENTS	16,573,008	14,178,809
PROPERTY, PLANT AND EQUIPMENT, net	16,711,747	17,603,871
	$ 85,577,479	$ 63,865,803

LIABILITIES AND NET ASSETS

	2020	2019
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 8,885,252	$ 8,114,337
Deferred revenue	1,650,540	464,823
Accrued paid time off	1,065,964	1,012,375
Other liabilities	709,348	71,520
Current portion of debt	-	215,822
Paycheck protection program loan	5,739,347	-
Total current liabilities	18,050,451	9,878,877
LINE OF CREDIT	5,400,000	-
DEBT, net of current portion	-	1,110,000
Total liabilities	23,450,451	10,988,877
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Without donor restrictions	45,376,442	36,270,217
Board designated	16,750,586	16,606,709
	62,127,028	52,876,926
	$ 85,577,479	$ 63,865,803

The Lighthouse for the Blind, Incorporated and Its Foundation
Consolidated Statements of Activities and Changes in Net Assets

	Years Ended September 30, 2020	2019
NET SALES	$ 85,581,955	$ 98,307,385
COST OF SALES	72,556,932	82,501,850
	13,025,023	15,805,535
COSTS AND EXPENSES		
Shipping	1,587,006	1,415,504
Administrative	11,408,243	10,970,436
Provision for doubtful accounts (recoveries)	50,000	(30,656)
	13,045,249	12,355,284
INCOME (LOSS) FROM MANUFACTURING AND SERVICE BUSINESSES	(20,226)	3,450,251
OTHER INCOME (EXPENSE)		
Investment return	404,677	210,488
Excess of employee and community services expenses over support and revenue	(1,994,986)	(2,568,456)
Other expense, net	(303,048)	(142,598)
Bequests, contributions, grants and charitable trust distributions	1,521,690	1,377,854
	(371,667)	(1,122,712)
OPERATING INCOME	(391,893)	2,327,539
GAIN ON SALE OF PROPERTY	9,641,995	-
NET PENSION BENEFIT OBLIGATION ADJUSTMENT	-	(203,557)
CHANGE IN NET ASSETS	9,250,102	2,123,982
NET ASSETS		
Beginning of year	52,876,926	50,752,944
End of year	$ 62,127,028	$ 52,876,926

See accompanying notes.

	Years Ended September 30, 2020	2019
OPERATING ACTIVITIES		
Change in net assets	$ 9,250,102	$ 2,123,982
Adjustments to reconcile change in net assets without donor restrictions to cash provided by (used in) operating activities		
Depreciation	2,080,301	1,905,397
Realized and unrealized (gain) loss on investments, net	(103,123)	128,288
Gain on sale/disposal of property, plant, and equipment	(9,641,995)	(16,730)
Changes in operating assets and liabilities		
Accounts receivable, net	(661,693)	1,946,957
Other receivables	16,969	26,145
Inventory, net	(14,099,576)	(160,036)
Prepaid pension	-	586,690
Other assets	(206,747)	(9,381)
Liabilities	1,462,332	(3,190,573)
Deferred revenue	1,185,717	(1,752)
Net cash provided by (used in) operating activities	(10,717,713)	3,338,987
INVESTING ACTIVITIES		
Purchases of investments	(13,151,721)	(2,362,841)
Proceeds from sale of investments	10,860,645	3,721,630
Proceeds from termination of pension	-	383,134
Purchases of property, plant, and equipment	(1,511,138)	(2,663,270)
Proceeds from sale of property, plant and equipment	9,964,956	16,730
Net cash provided by (used in) investing activities	6,162,742	(904,617)
FINANCING ACTIVITIES		
Principal repayments of long-term debt	(1,325,822)	(370,008)
Proceeds from line of credit	5,400,000	-
Proceeds from paycheck protection program loan	5,739,347	-
Net cash provided by (used in) finance activities	9,813,525	(370,008)
CHANGE IN CASH AND CASH EQUIVALENTS	5,258,554	2,064,362
CASH AND CASH EQUIVALENTS		
Beginning of year	7,326,597	5,262,235
End of year	$ 12,585,151	$ 7,326,597
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 104,789	$ 73,099

Note 1 – Operations and Summary of Significant Accounting Policies

Operations – The Lighthouse for the Blind, Incorporated (the Lighthouse) and The Seattle Lighthouse for the Blind Foundation (the Foundation) are not-for-profit organizations whose objective is to empower people who are blind, DeafBlind, and blind with other disabilities by creating diverse, sustainable, and meaningful employment opportunities.

The principal activities of the Lighthouse are conducted at its office and plant facilities located in Seattle and Spokane, Washington and Summerville, South Carolina. Additionally, the Lighthouse operates base supply centers and contract closeout services within Washington, Nevada, Alabama, and California.

The principal functions of the Lighthouse include:

- Manufacturing and assembly of aerospace, military and other products utilizing metal fabrication, injection molding and other processes.
- Manufacturing of military products and office products and other items under government contracts.
- Operating military base supply centers for sales of office and other supplies to the base staff.
- Providing contract management services to the U.S. government and its agencies.
- Operating a center that provides low vision examinations and consultation, accessibility, orientation and mobility, vocational, communication, and educational training services.

The Foundation is an organization committed to soliciting funds exclusively for the Lighthouse. The funds are primarily used to support employee and community service programs. The Foundation was formed in January 2003 as a 501(c)(3) organization.

Principles of consolidation – The Lighthouse and the Foundation (collectively, the Organization) have some common Board of Trustees members and common management. The consolidated financial statements include the accounts of the Lighthouse and the Foundation. All significant intercompany transactions and accounts have been eliminated in the consolidated financial statements.

Basis of presentation – The Organization presents its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the requirements of GAAP, financial position and activities are reported according to two classes of net assets – without donor restrictions and with donor restrictions. The restriction of these net asset classes is determined based on the existence and nature of donor-imposed restrictions.

At September 30, 2020 and 2019, the Organization had no net assets with donor restrictions.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

The Organization receives bequests and contributions without donor restrictions each year. The Board of Trustees (the Board) invests some of these funds and a portion of the investment income and/or principal is used to support mission related employee and community service programs and as otherwise designated by the Board. These assets are included in investments and classified as Board designated net assets without donor restriction.

Cash and cash equivalents – The Organization deposits all cash and cash equivalents with major financial institutions. At times, such deposit balances may be in excess of the federal insurance limits. The Organization considers highly liquid debt instruments with an original maturity of three months or less at time of acquisition to be cash equivalents.

Allowance for doubtful accounts – The Organization extends credit to substantially all of its customers. Accounts receivable are recorded at the invoice amount and do not bear interest. An allowance for doubtful accounts is maintained for estimated losses resulting from the inability of its customers to pay. The Organization determines the allowance based on review of past due balances, historical loss experience and economic data. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Organization has established credit policies and historically the losses related to customer nonpayment have been low as a percentage of net sales.

Inventory – Manufacturing inventory is recorded at the lower of cost (as determined by the first-in, first-out method) or net realizable value. Net realizable value is the estimate price in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation. Manufactured work-in-process and finished goods inventories include an allocable portion of manufacturing overhead. Retail inventory sold through Base Supply Centers and the Low Vision Store is recorded at weighted average cost and is included in finished goods.

Investments – The Organization places its investments with an investment manager and invests funds in various financial instruments as detailed in Note 2, in accordance with the Board approved investment policy.

The Organization’s investments are recorded in the consolidated financial statements at fair value. Net appreciation (depreciation) in investments, including realized gains or (losses) and unrealized appreciation (depreciation) on those investments, as well as all dividends, interest, and other investment income net of fees, is shown in the consolidated statement of activities in the line item “investment return”. Investment income (loss) is reported as an increase (decrease) in net assets without donor restriction.

Investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect total net assets and the amounts reported in the consolidated balance sheet.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

Property, plant, and equipment – Property, plant, and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the various classes of assets, which range as follows:

Buildings and improvements	10 to 40 years
Machinery and equipment	3 to 10 years

The Organization follows the practice of capitalizing substantially all expenditures for property, plant, and equipment in excess of $10,000. The cost of repairs, maintenance, and depreciation are charged to expense.

Net sales – Sales are presented on the consolidated statement of activities and changes in net assets, net of returns and allowances. Returns and allowances were not material for the years ended September 30, 2020 and 2019.

Deferred revenue – Deferred revenue consists of customer prepayments for base supply center items. The revenue is recorded at the time title is transferred. Deferred revenue for year ended September 30, 2020 and 2019, was $1,650,540 and $464,823, respectively.

Shipping costs – Shipping fees charged to customers are accounted for as a component of sales revenue and those incurred by the Organization as a component of shipping costs. Incoming freight incurred by the Organization is included as a component of cost of sales.

Bequests and contributions – Bequests and contributions are recognized as income, at fair market value, when the gift is received. The Organization does not usually receive advance notification of charitable trust distributions and other contributions. However, in the event that specific advance notice is provided, bequests and contributions are recognized when an unconditional promise is made and all donor-imposed conditions relating to the promise are met.

Fund-raising expense – Total fund-raising expense for the years ended September 30, 2020 and 2019, was $65,396 and $169,189, respectively. Fund-raising expenses were 3% and 8% of the total contribution revenue for the years ended September 30, 2020 and 2019, respectively. The ratio of expenses to amounts raised is computed using actual expenses and related contributions. Fundraising expenses are recorded in administrative expense in the consolidated statement of activities and changes in net assets.

Income taxes – The Organization is exempt from federal income tax as an entity described in Internal Revenue Code (IRC) Section 501(c)(3) except to the extent of unrelated business taxable income as defined under the provisions of IRC Sections 511 through 515. The Organization did not incur material unrelated business income tax for the years ended September 30, 2020 and 2019. In addition, the Organization qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a). Accordingly, no provision has been made for federal income tax in the accompanying consolidated financial statements.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

The Organization follows the provisions of authoritative guidance relating to accounting for uncertain tax positions. The Organization recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

The Organization recognizes interest and penalties related to income tax matters in income tax expense. As of September 30, 2020 and 2019, the Organization had no uncertain tax positions requiring accrual. The Organization files an exempt organization return in the U.S. federal jurisdiction.

Use of estimates – The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements. Actual results could differ from those estimates.

Accounting standards – In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The update clarifies and improves the scope and accounting guidance around contributions of cash and other assets received by not-for-profit organizations. The Organization has implemented ASU 2018-08 using the modified prospective approach.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated balance sheet date but before the consolidated financial statements are issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after the consolidated balance sheet date and before the consolidated financial statements are issued. The Organization has evaluated subsequent events through February 10, 2021, which is the date the consolidated financial statements were issued.

COVID-19 disclosure – On March 11, 2020, the World Health Organization officially declared COVID-19 the disease caused by the novel coronavirus, a pandemic. Management is closely monitoring the evolution of this pandemic, including how it may affect the economy and the Organization's operations. During the year ended September 30, 2020, the Organization continued operations as an essential business following the Department of Homeland Security guidance, and adhered to the Centers for Disease Control and Prevention strategies and recommendations to operate in a manner that minimizes transmission risk to employees, their families, and the communities in which the Organization operates.

Note 2 – Investments

Investment valuation – In accordance with GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

The Organization classified its investments as of September 30, 2020 and 2019, based upon an established 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, assets or liabilities without donor restrictions;

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly;

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement, are unobservable and are supported by little or no market activity. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Investments in common trusts, mutual funds, and equity securities, which are valued based on quoted market prices in an active market are classified within Level 1. The Organization holds common trusts as a Level 1 investment. Common trusts are a consolidated group of individual trust investments, similar to mutual funds, that are managed by a trust company. The fair value of investments is determined by the fund's trustee based on the fair value of the underlying securities, and as such is fairly classified as a Level 1 investment.

Investments with values that are not established by an active market but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified as Level 2. These investments include corporate debt, and U.S. government securities.

The venture capital investment is classified within Level 3. The managers and trustees of the venture capital investment generally value their underlying investments at fair value and in accordance with GAAP. In circumstances where investments with no readily available instruments to measure fair value occur, investments are then generally valued according to the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations and/or the income approach. Consideration is also given to financial condition and operating results of the investment, the amount a fund can reasonably expect to realize upon the sale of an investment, and any other factors deemed relevant. The Organization reviews the valuation and the assumptions used to value the venture capital investment annually.

Note 2 – Investments (continued)

An investment in a hedge fund uses net asset value (NAV) as a practical expedient for valuation. Under GAAP this investment is collectively excluded from the fair value hierarchy and disclosed as a reconciling item to investments.

An investment can be carried at acquisition price (cost) if little has changed since the initial investment by the Organization and it is most representative of fair value.

Investments consist of the following at September 30:

	2020	2019
Common trusts	$ 6,091,772	$ 5,727,976
Mutual funds - fixed income	5,107,058	794,047
Mutual funds - equities	4,420,621	3,237,246
Hedge fund	428,414	399,941
Mutual funds - real estate indexed	311,966	342,502
Venture capital	148,266	222,757
Domestic equity securities	64,911	1,515,067
Corporate debt	-	1,895,175
U.S. government securities	-	44,098
	$ 16,573,008	$ 14,178,809

The following summarizes the investment return at September 30:

	2020	2019
Dividends and interest	$ 301,554	$ 338,773
Realized gain, net	1,000,421	383,144
Unrealized loss, net	(897,298)	(511,429)
	$ 404,677	$ 210,488

Note 2 – Investments (continued)

The following table discloses by level the fair value hierarchy:

	Investment Assets at Fair Value as of September 30, 2020			
	Level 1	Level 2	Level 3	Total
Common trusts	$ 6,091,772	$ -	$ -	$ 6,091,772
Mutual funds - fixed income	5,107,058	-	-	5,107,058
Mutual funds - equity	4,420,621	-	-	4,420,621
Mutual funds - real estate indexed	311,966	-	-	311,966
Venture capital	-	-	148,266	148,266
Domestic equity securities	64,911	-	-	64,911
Total assets in the fair value hierarchy	$ 15,996,328	$ -	$ 148,266	16,144,594
Hedge fund Investments measured at NAV practical expedient				428,414
				$ 16,573,008

	Investment Assets at Fair Value as of September 30, 2019			
	Level 1	Level 2	Level 3	Total
Common trusts	$ 5,727,976	$ -	$ -	$ 5,727,976
Mutual funds - fixed income	794,047	-	-	794,047
Mutual funds - equities	3,237,246	-	-	3,237,246
Mutual funds - real estate indexed	342,502	-	-	342,502
Venture capital	-	-	222,757	222,757
Domestic equity securities	1,515,067	-	-	1,515,067
Corporate debt	-	1,895,175	-	1,895,175
U.S. government securities	-	44,098	-	44,098
Total assets in the fair value hierarchy	$ 11,616,838	$ 1,939,273	$ 222,757	13,778,868
Hedge fund Investments measured at NAV practical expedient				399,941
				$ 14,178,809

The Organization has a hedge fund measured at fair value on a recurring basis utilizing net asset value per share as the practical expedient. This privately offered portfolio of funds has an estimated fair value of $428,414 and $399,941 as of September 30, 2020 and 2019, respectively. Capital withdrawals are permitted at the end of each quarter with written notice 60 days prior to redemption. In general, redemptions of at least 95% of the amount being redeemed will be paid within 30 days after the redemption date and the balance paid after completion of the fund’s fiscal year-end audit. The fund’s objective is to achieve attractive risk-adjusted returns with low volatility through a diversified portfolio of assets including hedged equity, market independent, event driven and market dependent investments. The fund has no unfunded commitments as of September 30, 2020 and 2019.

Note 2 – Investments (continued)

The Organization has a Level 3 investment in a venture capital fund. The venture capital fund has the option to terminate beginning on the twelfth anniversary of the effective date (February 1, 2007). The fund did not terminate as of September 30, 2020. Determination of the fair value of investments is made by the fund's management in accordance with its governing documents. Approaches used to value the investments include, but are not limited to, the market approach, discounting cash flows, valuing net assets and industry specific benchmarking. The fund has no unfunded commitments as of September 30, 2020 and 2019.

The following table discloses the summary of changes in the fair value of the Level 3 investment asset:

	Venture Capital	
	2020	2019
Balance, beginning of year	$ 222,757	$ 263,854
Unrealized gains	3,709	51,653
Distributions	(78,200)	(92,750)
Balance, end of year	$ 148,266	$ 222,757

Transfers in and transfers out are recognized as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers in or out for the years ended September 30, 2020 and 2019, respectively.

Note 3 – Inventory

Net inventory is composed of the following at September 30:

	2020	2019
Raw materials	$ 16,785,846	$ 6,417,376
Work-in-process	7,065,806	3,677,114
Finished goods	7,190,207	6,809,793
Inventory reserve	(697,000)	(659,000)
	$ 30,344,859	$ 16,245,283

Note 4 – Employee Benefit Plans

Defined benefit pension plan – The Organization maintained a funded non-contributory defined benefit pension plan (the Plan) that covered certain employees. Effective December 31, 2008, the Plan was frozen to new participants and effective November 6, 2018, the Board passed a resolution to terminate the Plan. The Plan was liquidated on July 30, 2019. After all benefits were paid or transferred, totaling $23,069,383, remaining assets representing over-funding in the amount of $383,134 were transferred to the Organization during the year ended September 30, 2019.

Tax-deferred annuity plan – The Organization offers a tax-deferred annuity plan for all employees who meet certain eligibility requirements. Participants may contribute up to 100% of their annual eligible compensation, subject to limits as defined by the IRS. The plan was amended effective January 1, 2020, in response to the SECURE Act of 2019 and CARES Act of 2020, and updated several provisions related to the participation eligibility, eligible compensation, and hardship distributions. Effective January 1, 2019, the Organization's Board of Trustees approved an amendment to the Plan to allow for Roth contributions. The Organization makes contributions to the annuity plan up to 6% of employee compensation with certain eligibility requirements. Contributions made by the Organization to the annuity plan totaled $889,416 and $1,450,722 for the years ended September 30, 2020 and 2019, respectively.

Note 5 – Property, Plant, and Equipment

Property, plant, and equipment consist of the following at September 30:

	2020	2019
Land	$ 2,334,144	$ 2,655,599
Buildings and improvements	21,207,232	21,151,872
Machinery and equipment	29,198,763	27,757,668
	52,740,139	51,565,139
Less accumulated depreciation	36,028,392	33,961,268
	$ 16,711,747	$ 17,603,871

On December 10, 2018, the Organization entered into a contract to sell property located adjacent to the Seattle facility. This land was considered surplus to business. The sale closed on August 31, 2020, with net proceeds of $9,964,956 and a gain of $9,641,995.

Note 6 –Debt

Debt consists of the following at September 30:

	2020	2019
Note payable to bank, five-year term, collateralized by real estate, interest at 4.23%, interest payments required monthly, principal payments of $370,000 due annually beginning April 2019, remaining principal due April 2023. Debt retired September 2020.	$ -	$ 1,325,822
Note payable to Northern Trust, funded by the Small Business Administration and acquired under the Paycheck Protection Program through the CARES Act of 2020. Two-year term note, uncollateralized, interest at 1%, monthly interest payments deferred to August 2021. Equal principal payments due monthly beginning August 2021 through maturity date in April 2022. The Organization believes the debt will be forgiven by September 30, 2021, and has classified the note as current.	5,739,347	-
Line of credit payable to Northern Trust, collateralized by substantially all assets of the Organization, interest at 1.2% plus LIBOR, payable monthly. Due and renewable annually.	5,400,000	-
Less current portion	5,739,347	215,822
	$ 5,400,000	$ 1,110,000

Future maturities of debt are as follows:

2021	$ 5,739,347
2022	5,400,000
	$ 11,139,347

The note payable to U.S. Bank was paid and retired in September 2020. It had two financial covenants, a fixed charge coverage ratio, and a liquid assets ratio. The Organization was compliant with these covenants upon retirement of the note.

In April 2016, the Organization entered into a line of credit agreement with U.S. Bank in the amount of $5,000,000 for short-term borrowings. The agreement contained the same covenant requirements as the long-term debt agreement with U.S. Bank. There were no borrowings outstanding on the line of credit during the years or as of September 30, 2020 and 2019. The Organization terminated the line of credit agreement with U.S. Bank during the year ended September 30, 2020.

Note 6 –Debt (continued)

In December 2019, the Organization entered into a line of credit agreement with Northern Trust in the amount of $10,000,000 for short-term borrowings, due and renewable annually in December. The line of credit allows for advances at a variable interest rate, based on LIBOR plus 120 basis points. As of September 30, 2020, the interest rate was 1.278%. Total interest expense on the line of credit was $51,623 during the year ended September 30, 2020. The agreement contains financial covenants including minimum investment holdings and earnings performance requirements. As of September 30, 2020, the balance outstanding on the line of credit was $5,400,000. The Organization holds a letter of credit against the available credit line associated with third-party bonding insurance for raw material imports. As of September 30, 2020, the Organization held a letter of credit for $175,000.

On December 14, 2020, the agreement was amended to reduce the line of credit to $7,500,000, extend the maturity date to December 2021 and modify the line to be uncommitted.

Note 7 – Commitments

The Organization leases office and distribution facilities under noncancelable operating lease agreements that extend through July 2022. The agreements for the office facilities require the Organization to pay common area expenses and utilities associated with the leased property. Future minimum noncancelable lease payments for years ending September 30 are as follows:

2021	$ 174,024
2022	95,095
	$ 269,119

Rental expense under noncancelable leases was $166,910 and $150,404 for the years ended September 30, 2020 and 2019, respectively.

Note 8 – Employee and Community Services

Employee and Community Services (ECS), a division of the Organization, provides mission related support and services such as low vision examinations and consultation, accessibility, orientation, mobility, communication, and basic education skills training to those who are blind, DeafBlind, and blind with other disabilities. The goal of these services is to enable persons who are blind to be independent and economically self-sufficient.

All bequests, contributions, and charitable trust distributions that are restricted by the donor for the benefit of disabled individuals are allocated to ECS and utilized in the period they are received.

Note 8 – Employee and Community Services (continued)

Below is a schedule of support and revenue, and expenses of ECS for the years ended September 30:

	2020	2019
Support and revenue		
State and local government funding	$ 164,806	$ 185,340
Other	70,962	60,192
	235,768	245,532
Expenses		
Salaries and related expenses	1,533,954	1,635,436
Administrative expenses	685,440	1,007,980
DeafBlind retreat	11,360	170,572
	2,230,754	2,813,988
Excess of employee and community services expenses over support and revenue	$ (1,994,986)	$ (2,568,456)

Note 9 – Bequests, Contributions, Grants, and Charitable Trust Distributions

The Organization is the beneficiary of specific bequests and contributions each year, as well as a portion of the income earned from several charitable trust funds. Such trust funds are not recorded in the accompanying consolidated financial statements. These funds are held and managed by trustees under discretionary trust agreements and distributions of cash are recorded only when received.

Note 10 – The Foundation

The Foundation was established as a supporting organization to the Lighthouse. The Foundation's purpose is to support the mission of the Lighthouse, which is to empower people who are blind, DeafBlind, and blind with other disabilities by creating diverse, sustainable, and meaningful employment opportunities.

Note 10 – The Foundation (continued)

The financial position and the financial activities of the Foundation, which are included in the accompanying consolidated financial statements, are as follows as of and for the years ended September 30:

	2020	2019
Cash and investments	$ 5,146,657	$ 5,292,180
Net assets at beginning of year	$ 5,292,180	$ 5,444,821
Contributions received, including in-kind	1,959,891	2,016,176
Interest income	77,555	100,977
Realized gain on investments, net	851,308	21,716
Unrealized loss on investments, net	(804,098)	(15,054)
Contribution to the Lighthouse	(1,583,490)	(1,526,965)
In-kind expense	(198,999)	(104,405)
Other expense	(9,489)	(6,763)
Operating expenses allocated from the Lighthouse	(438,201)	(638,323)
Net assets at end of year	$ 5,146,657	$ 5,292,180

Contributions received by the Foundation include cash and in-kind charitable giving, which are primarily used to support employee and community service programs. Expenses incurred by the Foundation include allocations of personnel and facilities costs from the Lighthouse, as well as expenses relating to donor acquisition and in-kind contribution expense related to contributed goods and services. All necessary eliminations have been included in the consolidated financial statements.

Note 11 – Concentrations

Customer concentrations – During the years ended September 30, 2020 and 2019, 40% and 47%, respectively, of sales were to two customers. At September 30, 2020 and 2019, 51% and 67%, respectively, of accounts receivable was due from these customers.

Vendor concentrations – The Organization had two major vendors that made up 19% and 26% of cost of goods sold during the years ended September 30, 2020 and 2019, respectively. At September 30, 2020 and 2019, 4% and 39%, respectively, of accounts payable was due to these customers.

Note 12 – Functional Expenses

The Organization provides employment opportunities, training, and resources to those who are blind, DeafBlind, and blind with other disabilities. Program activities encompass all manufacturing and service businesses as well as employee and community services. Supporting activities are separated into management and general, and fundraising. No allocations are performed from supporting activities to program activities.

The following schedule excludes net sales earned from program activities, investment returns, gain on sale of land, and pension benefit obligation adjustments.

	2020			
		Supporting Activities		
	Program Activities	Management and General	Fundraising	Total Expenses
Materials	$ 48,529,016	$ -	$ -	$ 48,529,016
Personnel	21,225,776	7,227,836	-	28,453,612
Facilities and infrastructure	5,640,832	2,555,752	-	8,196,584
Professional services	505,169	993,626	-	1,498,795
Other	473,899	926,813	57,264	1,457,976
Total expenses	$ 76,374,692	$ 11,704,027	$ 57,264	$ 88,135,983

	2019			
		Supporting Activities		
	Program Activities	Management and General	Fundraising	Total Expenses
Materials	$ 55,239,173	$ -	$ -	$ 55,239,173
Personnel	24,596,921	5,639,429	-	30,236,350
Facilities and infrastructure	5,411,798	2,743,926	-	8,155,724
Professional services	790,734	1,520,220	-	2,310,954
Other	692,717	1,009,613	169,189	1,871,519
Total expenses	$ 86,731,343	$ 10,913,188	$ 169,189	$ 97,813,720

Note 13 – Liquidity

The Organization has a policy to structure its financial assets to be available as its obligations come due. As of September 30, 2020, the Organization has $4,600,000 of funding available through its $10,000,000 line of credit; this line of credit was reduced to $7,500,000 as of December 14, 2020. The Organization holds investments of marketable securities without restrictions with a long-term investment strategy, however these investments may be used as needed to meet general expenditure requirements in the short-term.

The table below presents financial assets available for general expenditures within one year at September 30, 2020:

Cash and cash equivalents	$ 12,585,151
Accounts receivable	8,558,099
Other receivables	378,092
Investments	16,573,008
Financial assets available to meet general expenditures over the next twelve months	$ 38,094,350