Report of Independent Auditors
and Consolidated Financial Statements

The Lighthouse for the Blind, Incorporated, and its Foundation

September 30, 2022 and 2021

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Table of Contents

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Report of Independent Auditors

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Lighthouse for the Blind, Incorporated, and its Foundation, which comprise the consolidated balance sheets as of September 30, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Lighthouse for the Blind, Incorporated, and its Foundation as of September 30, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of The Lighthouse for the Blind, Incorporated, and its Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Lighthouse for the Blind, Incorporated, and its Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Lighthouse for the Blind, Incorporated, and its Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt The Lighthouse for the Blind, Incorporated, and its Foundation'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.

Moss Adams LLP

Seattle, Washington
March 10, 2023

Consolidated Financial Statements

The Lighthouse for the Blind, Incorporated, and its Foundation
Consolidated Balance Sheets
(Dollars in Thousands)
September 30, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 5,973	$ 5,562
Accounts receivable, net of allowance for doubtful accounts of $90 and $116, respectively	4,721	7,263
Other receivables	133	136
Inventory, net of reserve of $1,145 and $843, respectively	21,287	24,082
Other assets	825	209
Total current assets	32,939	37,252
INVESTMENTS	23,277	27,658
PROPERTY, PLANT, AND EQUIPMENT, net	16,298	16,241
	$ 72,514	$ 81,151
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 6,365	$ 5,955
Deferred revenue	323	524
Accrued paid time off	1,351	1,296
Other liabilities	492	743
Total current liabilities	8,531	8,518
Total liabilities	8,531	8,518
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Without donor restrictions	40,258	44,560
Board-designated	23,725	28,073
	63,983	72,633
	$ 72,514	$ 81,151

See accompanying notes.

The Lighthouse for the Blind, Incorporated, and its Foundation
Consolidated Statements of Activities and Changes in Net Assets
(Dollars in Thousands)
Years Ended September 30, 2022 and 2021

	2022	2021
NET SALES	$ 76,775	$ 98,533
COST OF SALES	67,798	83,173
	8,977	15,360
EXPENSES		
Shipping	1,798	2,030
Administrative	11,324	10,572
	13,122	12,602
INCOME (LOSS) FROM MANUFACTURING AND SERVICE BUSINESSES	(4,145)	2,758
OTHER INCOME (EXPENSE)		
Investment return (loss), net	(4,078)	2,730
Excess of employee and community services expenses over support and revenue	(2,063)	(1,876)
Other income (expense), net	(11)	(225)
Bequests, contributions, grants, and charitable trust distributions	1,647	1,309
	(4,505)	1,938
OPERATING INCOME (LOSS)	(8,650)	4,696
PPP LOAN PRINCIPAL FORGIVENESS	-	5,739
PPP LOAN INTEREST FORGIVENESS	-	70
CHANGE IN NET ASSETS	(8,650)	10,505
NET ASSETS		
Beginning of year	72,633	62,128
End of year	$ 63,983	$ 72,633

See accompanying notes.

The Lighthouse for the Blind, Incorporated, and its Foundation
Consolidated Statements of Cash Flows
(Dollars in Thousands)
Years Ended September 30, 2022 and 2021

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	$ (8,650)	$ 10,505
Adjustments to reconcile change in net assets without donor restriction to cash provided by (used in) operating activities		
Depreciation	2,029	2,039
Realized and unrealized (gain) loss on investments, net	4,591	(2,386)
Loss on sale/disposal of property, plant, and equipment	16	8
Changes in operating assets and liabilities		
Accounts receivable, net	2,542	1,295
Other receivables	3	242
Inventory, net	2,795	6,263
Other assets	(616)	218
Liabilities	214	(2,668)
Deferred revenue	(201)	(1,126)
Net cash provided by operating activities	2,723	14,390
INVESTING ACTIVITIES		
Purchases of investments	(25,345)	(26,762)
Proceeds from sale of investments	25,135	18,064
Purchases of property, plant, and equipment	(2,105)	(1,576)
Proceeds from sale of property, plant, and equipment	3	-
Net cash used in investing activities	(2,312)	(10,274)
FINANCING ACTIVITIES		
Proceeds from (repayments to) line of credit	-	(5,400)
Proceeds (forgiveness) from PPP loan	-	(5,739)
Net cash provided by (used in) financing activities	-	(11,139)
CHANGE IN CASH AND CASH EQUIVALENTS	411	(7,023)
CASH AND CASH EQUIVALENTS		
Beginning of year	5,562	12,585
End of year	$ 5,973	$ 5,562
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ -	$ 43

See accompanying notes.

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 across the country.

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 (the Board) 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 (U.S. GAAP). Under the requirements of U.S. GAAP, financial position and activities are reported according to two classes of net assets: without donor restrictions and with donor restrictions. The classification of these net asset classes is determined based on the existence and nature of donor-imposed restrictions.

At September 30, 2022 and 2021, the Organization had no net assets with donor restrictions.

The Organization receives bequests and contributions without donor restrictions each year. 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. Allowance and (recoveries) for doubtful accounts for the years ended September 30, 2022 and 2021, was ($26) and $56, respectively.

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 statements of activities in the line item “investment return (loss).” 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 sheets.

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. The cost of repairs, maintenance, and depreciation are charged to expense.

Revenue recognition – The Organization recognizes revenue on sales to retailers, wholesalers, remanufacturers, and direct to end consumers. Revenue is recognized when performance obligations under the terms of the contracts with the Organization's customers are satisfied. The majority of the Organization's revenue contracts represent a single performance obligation related to the fulfillment of customer orders for the purchase of the Organization's products. Revenue and costs of sales are recognized when control of the products transfers to the customer, which generally occurs coincident with the shipping terms of products to the customer.

Payment terms vary by customer and are established in the contracts or purchase orders with customers. The Organization generally provides credit terms to customers for 30 to 60 days; therefore, the Organization's contracts do not include a significant financing component. It is standard practice for the Organization not to include variable consideration in the form of early payment discounts or the like.

Shipping and handling costs are accounted for as a fulfillment activity of the Organization's promise to transfer the products to its customers and are included in cost of sales on the consolidated statements of activities and changes in net assets.

The Organization allows product returns on sales to certain customers over varying terms and conditions. Product returns have historically been insignificant related to these sales.

The Organization operates as a single operating segment for purposes of presenting financial information and evaluating performance. As such, the accompanying consolidated financial statements present financial information in a format that is consistent with the internal financial information used by management, which does not further disaggregate revenue, as all revenues are recognized at a point in time and the Organization's revenues depict how the economic factors affect the nature, amount, timing, and uncertainty of cash flows.

Deferred revenue – Deferred revenue consists of customer prepayments for base supply center items. The revenue is recorded at the time title is transferred.

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. These funds are held and managed by trustees under discretionary trust agreements and distributions of cash are recorded only when received.

Fundraising expense – Total fundraising expense for the years ended September 30, 2022 and 2021, was $61 and $74, respectively. Fundraising expenses were 3% and 4% of the total contribution revenue for the years ended September 30, 2022 and 2021, 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 statements 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, 2022 and 2021. 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.

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, 2022 and 2021, the Organization had no uncertain tax positions requiring accrual. The Organization files an exempt organization return in the U.S. federal jurisdiction.

Insurance proceeds – As of September 30, 2021, the Organization received $36 in proceeds from business interruption insurance due to diminished operating capacity at its China Lake retail facility stemming from the Ridgecrest earthquakes of July 4 and July 5, 2019. Operations at the physical location were suspended from July 2019 to February 2020. The proceeds are recognized within other income (expense), net, on the consolidated statements of activities and change in net assets.

Use of estimates – The preparation of consolidated financial statements in accordance with U.S. 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.

Adoption of a new accounting standard – The Organization implemented Accounting Standards Update No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, for the fiscal year ended September 30, 2022. The adoption did not result in a change to how the Organization accounts for in-kind revenue.

Reclassifications – Certain prior year amounts have been reclassified to be in accordance with current year presentation. These reclassifications had no impact on total change in net assets.

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 March 10, 2023, which is the date the consolidated financial statements were issued.

Note 2 – Investments

Investment valuation – In accordance with U.S. 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, 2022 and 2021, 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 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 mutual funds are valued based on published market prices in an active market and are classified within Level 1.

(Dollars in Thousands)

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 U.S. 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.

An investment in a hedge fund uses net asset value (NAV) as a practical expedient for valuation. Under U.S. 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:

	2022	2021
Mutual funds - fixed income	$ 12,279	$ 10,504
Mutual funds - equities	10,057	16,089
Hedge fund	521	495
Mutual funds - real estate indexed	242	309
Venture capital	110	179
Mutual funds - other	68	82
	$ 23,277	$ 27,658

The following summarizes the investment return (loss) at September 30:

	2022	2021
Dividends and interest	$ 606	$ 422
Realized gain, net	441	1,016
Unrealized gain (loss), net	(5,032)	1,370
Investment fees	(93)	(78)
	$ (4,078)	$ 2,730

(Dollars in Thousands)

The following table discloses the fair value hierarchy by level:

	Investment Assets at Fair Value as of September 30, 2022			
	Level 1	Level 2	Level 3	Total
Mutual funds - fixed income	$ 12,279	$ -	$ -	$ 12,279
Mutual funds - equities	10,057	-	-	10,057
Mutual funds - real estate indexed	242	-	-	242
Venture capital	-	-	110	110
Mutual funds - other	68	-	-	68
Total assets in the fair value hierarchy	$ 22,646	$ -	$ 110	22,756
Hedge fund Investments measured at NAV practical expedient				521
				$ 23,277

	Investment Assets at Fair Value as of September 30, 2021			
	Level 1	Level 2	Level 3	Total
Mutual funds - equities	$ 16,089	$ -	$ -	$ 16,089
Mutual funds - fixed income	10,504	-	-	10,504
Mutual funds - real estate indexed	309	-	-	309
Venture capital	-	-	179	179
Mutual funds - other	82	-	-	82
Total assets in the fair value hierarchy	$ 26,984	$ -	$ 179	27,163
Hedge fund Investments measured at NAV practical expedient				495
				$ 27,658

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 $521 and $494 as of September 30, 2022 and 2021, 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, 2022 and 2021.

(Dollars in Thousands)

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, 2022. 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, 2022 and 2021.

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

	Venture Capital	
	2022	2021
Balance, beginning of year	$ 179	$ 149
Unrealized gains (loss)	(17)	62
Capital calls	2	23
Distributions	(54)	(55)
Balance, end of year	$ 110	$ 179

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, 2022 and 2021, respectively.

Note 3 – Inventory

Net inventory is composed of the following at September 30:

	2022	2021
Raw materials	$ 12,380	$ 12,464
Work in process	4,831	5,443
Finished goods	5,221	7,018
Inventory reserve	(1,145)	(843)
	$ 21,287	$ 24,082

(Dollars in Thousands)

Note 4 – Employee Benefit Plans

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 Internal Revenue Service. The plan was amended effective January 1, 2021, updating provisions related to enrollment. 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 and $1,130 and $1,059 for the years ended September 30, 2022 and 2021, respectively.

Note 5 – Property, Plant, and Equipment

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

	2022	2021
Land	$ 2,334	$ 2,334
Buildings and improvements	21,590	21,507
Machinery and equipment	31,692	30,415
	55,616	54,256
Less accumulated depreciation	39,318	38,015
	$ 16,298	$ 16,241

Note 6 – Line of Credit

In December 2022, the Organization renewed its line-of-credit agreement with Northern Trust in the amount of $7,500,000 for short-term borrowings, due and renewable annually in December. The line of credit allows for advances at a variable interest rate, based on SOFR (Secured Overnight Financing Rate) plus 130 basis points. The line of credit available to the Organization as of September 30, 2021, allowed for advances at a variable interest rate, based on LIBOR (London Interbank Offered Rate) plus 120 basis points. The interest rate was 4.29% and 1.27% as of September 30, 2022 and 2021, respectively. Total interest expense on the line of credit was $0 and $39,247 during the years ended September 30, 2022 and 2021, respectively. The agreement contains financial covenants including minimum investment holdings and earnings performance requirements. As of September 30, 2022 and 2021, no balances were outstanding on the line of credit. 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, 2022 and 2021, the Organization held a letter of credit for $175,000.

(Dollars in Thousands)

Note 7 – Commitments

The Organization leases office and distribution facilities under noncancelable operating lease agreements that extend through February 2027. 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 the years ending September 30 are as follows:

2023	$	134
2024		139
2025		144
2026		150
2027		64
	$	631

Rental expense under noncancelable leases was $171 and $174 for the years ended September 30, 2022 and 2021, 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.

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

	2022	2021
Support and revenue		
State and local government funding	$ 191	$ 151
Other	255	240
	446	391
Expenses		
Salaries and related expenses	1,962	1,788
Administrative expenses	547	479
	2,509	2,267
Excess of employee and community services expenses over support and revenue	$ (2,063)	$ (1,876)

(Dollars in Thousands)

Note 9 – 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.

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:

	2022	2021
Cash and investments	$ 4,639	$ 5,889
Net assets at beginning of year	$ 5,889	$ 5,147
Contributions received	2,152	1,561
In-kind contributions	59	199
Interest income	112	90
Realized gain on investments, net	235	259
Unrealized gain (loss) on investments, net	(1,329)	664
Contribution to the Lighthouse	(1,850)	(1,372)
In-kind expense	(59)	(199)
Other expense	(6)	(7)
Operating expenses allocated from the Lighthouse	(564)	(452)
Net assets at end of year	$ 4,639	$ 5,890

Contributions received by the Foundation include cash and in-kind charitable giving, which are primarily used to support employee and community service programs. In-kind gifts consist of donated equipment and services. In-kind gifts are not monetized, are utilized by the Organization, and are valued by the donor in line with fair market value. 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 10 – Concentrations

Customer concentrations – During the years ended September 30, 2022 and 2021, 33% and 34%, respectively, of sales were to two customers. At September 30, 2022 and 2021, 4% and 18%, respectively, of accounts receivable was due from these customers.

Vendor concentrations – The Organization had two major vendors that made up 18% and 17% of cost of goods sold during the years ended September 30, 2022 and 2021, respectively. At September 30, 2022 and 2021, 38% and 27%, respectively, of accounts payable was due to these customers.

(Dollars in Thousands)

Note 11 – 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, and Paycheck Protection Program loan forgiveness.

	2022			
		Supporting Activities		
	Program Activities	Management and General	Fundraising	Total Expenses
Materials	$ 43,042	$ -	$ -	$ 43,042
Personnel	21,925	7,040	-	28,965
Facilities and infrastructure	6,259	1,685	-	7,944
Professional services	414	1,599	-	2,013
Other	466	950	61	1,477
Total expenses	$ 72,106	$ 11,274	$ 61	$ 83,441

	2021			
		Supporting Activities		
	Program Activities	Management and General	Fundraising	Total Expenses
Materials	$ 59,535	$ -	$ -	$ 59,535
Personnel	21,091	6,685	-	27,776
Facilities and infrastructure	6,143	1,940	-	8,083
Professional services	323	1,204	-	1,527
Other	378	893	74	1,345
Total expenses	$ 87,470	$ 10,722	$ 74	$ 98,266

(Dollars in Thousands)

Note 12 – Liquidity

The Organization has a policy to structure its financial assets to be available as its obligations come due. As of September 30, 2022, the Organization had $7,500 of funding available through its line of credit. The Organization holds investments of marketable securities without restrictions with a long-term investment strategy; however, with Board approval, 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, 2022 and 2021:

	2022	2021
Cash and cash equivalents	$ 5,973	$ 5,562
Accounts receivable	4,721	7,263
Other receivables	133	136
Investments	23,277	27,658
Financial assets available to meet general expenditures over the next 12 months	$ 34,104	$ 40,619