

**THE NATIONAL FEDERATION OF THE BLIND  
T/A BLIND FEDERATION OF AMERICA**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**



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AICPA Employee Benefit Plan Audit Quality Center  
**An Independent Member of the BDO Alliance USA**

## Independent Auditors' Report

To the Board of Directors and Officers of  
The National Federation of the Blind T/A Blind Federation of America

We have audited the accompanying consolidated financial statements of The National Federation of the Blind (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 National Federation of the Blind as of December 31, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Rosen, Sapperstein & Friedlander, LLC*

Rosen, Sapperstein & Friedlander, LLC  
Baltimore, Maryland  
March 18, 2021

**THE NATIONAL FEDERATION OF THE BLIND  
T/A BLIND FEDERATION OF AMERICA  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
December 31, 2020**

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ASSETS

Cash and cash equivalents	\$ 3,482,151
Prepaid expenses	1,010,472
Receivables	980,252
Investments	23,228,666
Other investments - life insurance	3,540,268
Property and equipment - net	101,567
Intangible assets - net	<u>490,353</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 32,833,729</u></b>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 662,919
Deferred revenue	232,500
Accrued annuity benefit	<u>28,130</u>

TOTAL LIABILITIES	<u>923,549</u>
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NET ASSETS

Without donor restrictions	28,034,276
With donor restrictions	<u>3,875,904</u>

TOTAL NET ASSETS	<u>31,910,180</u>
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TOTAL LIABILITIES AND NET ASSETS	<b><u>\$ 32,833,729</u></b>
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See Accompanying Notes to Consolidated Financial Statements

**THE NATIONAL FEDERATION OF THE BLIND  
T/A BLIND FEDERATION OF AMERICA  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
For the Year Ended December 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Public support			
Contributions	\$ 14,940,647	\$ 337,980	\$ 15,278,627
Donated services	6,909,022	-	6,909,022
Government grants and contract services	3,044,484	-	3,044,484
Net assets released from restrictions	<u>190,410</u>	<u>(190,410)</u>	<u>-</u>
Total public support	<u>25,084,563</u>	<u>147,570</u>	<u>25,232,133</u>
Revenue			
Sales - independence products and publications	288,193	-	288,193
Net investment income (loss)	<u>2,746,673</u>	<u>488,278</u>	<u>3,234,951</u>
Total revenue	<u>3,034,866</u>	<u>488,278</u>	<u>3,523,144</u>
<b>TOTAL REVENUES, GAINS         AND OTHER SUPPORT</b>	<u>28,119,429</u>	<u>635,848</u>	<u>28,755,277</u>
<b>EXPENSES</b>			
Program services			
Blindness integration	11,577,929	-	11,577,929
Civil rights, advocacy and self-organization	6,907,703	-	6,907,703
Nonvisual access systems	<u>5,559,321</u>	<u>-</u>	<u>5,559,321</u>
Total program services	<u>24,044,953</u>	<u>-</u>	<u>24,044,953</u>
Supporting services			
Management and general	627,787	-	627,787
Fundraising	<u>1,292,580</u>	<u>-</u>	<u>1,292,580</u>
Total supporting services	<u>1,920,367</u>	<u>-</u>	<u>1,920,367</u>
<b>TOTAL EXPENSES</b>	<u>25,965,320</u>	<u>-</u>	<u>25,965,320</u>
<b>CHANGES IN NET ASSETS</b>	2,154,109	635,848	2,789,957
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>25,880,167</u>	<u>3,240,056</u>	<u>29,120,223</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 28,034,276</u>	<u>\$ 3,875,904</u>	<u>\$ 31,910,180</u>

See Accompanying Notes to Consolidated Financial Statements

**THE NATIONAL FEDERATION OF THE BLIND  
T/A BLIND FEDERATION OF AMERICA  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2020**

	PROGRAM SERVICES				SUPPORTING SERVICES			GRAND TOTAL
	Blindness Integration	Civil Rights, Advocacy and Self- Organization	Nonvisual Access Systems	Total	Management and General	Fundraising	Total	
Volunteer services	\$ 1,069,229	\$ 1,069,229	\$ 534,614	\$ 2,673,072	\$ -	\$ -	\$ -	\$ 2,673,072
Salaries	1,311,686	1,499,070	1,499,070	4,309,826	327,922	46,846	374,768	4,684,594
Payroll taxes and related expenses	232,245	265,422	265,422	763,089	58,061	8,294	66,355	829,444
Total salaries and related expenses	2,613,160	2,833,721	2,299,106	7,745,987	385,983	55,140	441,123	8,187,110
Supplies	103,169	104,809	430,853	638,831	18,807	4,724	23,531	662,362
Postage and shipping	654,461	19,533	13,369	687,363	3,027	666,752	669,779	1,357,142
Printing and publications	3,332,208	37,954	24,712	3,394,874	1,874	543,232	545,106	3,939,980
Travel	8,534	56,951	25,124	90,609	455	73	528	91,137
Conferences and conventions	2,965	61,904	925	65,794	68	10	78	65,872
Professional fees	162,669	3,246,129	611,119	4,019,917	93,374	13,435	106,809	4,126,726
Telephone	9,018	7,737	11,385	28,140	1,925	509	2,434	30,574
Occupancy	170,657	123,341	156,765	450,763	10,929	6,994	17,923	468,686
Donated media	4,235,950	-	-	4,235,950	-	-	-	4,235,950
Awards and grants	25,139	219,646	518,074	762,859	-	-	-	762,859
Information technology	186,945	172,257	931,426	1,290,628	31,715	1,196	32,911	1,323,539
Equipment rental, maintenance and repair	11,253	10,417	12,400	34,070	624	99	723	34,793
Equipment, Braille and Technology Center	-	-	22,881	22,881	-	-	-	22,881
Royalty fees	-	-	18,440	18,440	971	-	971	19,411
Data processing	48,081	-	-	48,081	48,081	-	48,081	96,162
Other	-	-	3,185	3,185	5,020	-	5,020	8,205
Total expenses before depreciation and amortization	11,564,209	6,894,399	5,079,764	23,538,372	602,853	1,292,164	1,895,017	25,433,389
Depreciation	13,720	13,304	13,720	40,744	416	416	832	41,576
Amortization	-	-	465,837	465,837	24,518	-	24,518	490,355
<b>TOTAL EXPENSES</b>	<b>\$ 11,577,929</b>	<b>\$ 6,907,703</b>	<b>\$ 5,559,321</b>	<b>\$ 24,044,953</b>	<b>\$ 627,787</b>	<b>\$ 1,292,580</b>	<b>\$ 1,920,367</b>	<b>\$ 25,965,320</b>

See Accompanying Notes to Consolidated Financial Statements

**THE NATIONAL FEDERATION OF THE BLIND  
T/A BLIND FEDERATION OF AMERICA  
CONSOLIDATED STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2020**

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CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 2,789,957
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	41,576
Amortization	490,355
Unrealized gain on investments	(2,359,594)
Realized gain on investments	(763,502)
Decrease (increase) in operating assets:	
Receivables	(211,221)
Prepaid expenses	426,575
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	54,278
Deferred revenue	<u>(102,860)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>365,564</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash paid for investments	(4,942,276)
Proceeds from the sale of investments	<u>4,704,397</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(237,879)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	127,685
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,354,466</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 3,482,151</u></u>

See Accompanying Notes to Consolidated Financial Statements

**THE NATIONAL FEDERATION OF THE BLIND  
T/A BLIND FEDERATION OF AMERICA  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2020**

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

**Nature of the Organization**

The National Federation of the Blind T/A Blind Federation of America (NFB), a 501(c) 3 nonprofit corporation headquartered in Baltimore, Maryland, is the leading membership and advocacy organization of blind Americans. It works to bring the lived experience of blind individuals into conformance with the proven, but little understood, fact that blindness is not the characteristic that defines a blind person's identity, capacities, or future. This work is carried out through the following three interrelated program service components, which function in concert with each other:

**Blindness Integration:** This program service component focuses on broad based interaction with blind persons, their families, business and governmental entities, and members of the general public, utilizing multiple venues, media, and methods and activities which seek to integrate the blind into society on a basis of equality.

**Civil Rights, Advocacy, and Self-Organization:** This program service component focuses on removal of systemic barriers to integration of blind people through legal advocacy which both protects the rights of the individual blind persons involved in a particular action and advances disability rights case law under the Americans with Disabilities Act and the Rehabilitation Act of 1973; through mentoring, leadership training, technology training, resources and services to blind individuals and local self-advocacy and peer support organizations of blind individuals; and through efforts to eliminate public policies which require eyesight to receive the goods and services offered.

**Nonvisual Access Systems:** This program service component focuses on activities to create, improve, evaluate, support research, provide training, promote availability and distribution channels relating to all systems and devices which provide blind individuals nonvisual access to information, in order to eliminate lack of access to information as a systemic obstacle to full participation in society by blind individuals.

KNFB Reader, LLC (KNFB) was established in 2014 as a wholly-owned subsidiary of NFB. KNFB was formed to acquire, further develop, and market software applications (apps) to be of assistance and benefit to blind persons, in further pursuit of the purpose of the NFB.

**Consolidation**

In accordance with the Consolidation topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, all wholly-owned entities are to be consolidated with the parent entity. These consolidated financial statements include the accounts of the NFB and KNFB (collectively the "Federation"). All significant intercompany balances and transactions have been eliminated in the consolidation of these financial statements.

**Basis of Presentation**

The Federation's consolidated 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 NATIONAL FEDERATION OF THE BLIND  
T/A BLIND FEDERATION OF AMERICA  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2020**

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

**Basis of Presentation (Continued)**

The Federation follows the Presentation of Financial Statements for Not-for-Profit Entities topic of the FASB Accounting Standards Codification. This pronouncement sets standards for the financial statement presentation for not-for-profit organizations. The Federation 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.

Donor restricted net assets include scholarship funds and other funds where the donor has restricted that the income and the corpus be used for scholarships and other specific purposes; and other scholarship funds where the donor has restricted that only the income may be used for the scholarships and 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.

**Use of Estimates**

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue Recognition**

The Federation 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 Federation recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Federation 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 Federation 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 are considered to be available without restrictions unless specifically restricted by the donor. Contributions received in advance of donor restrictions being satisfied are included in deferred revenue.

**THE NATIONAL FEDERATION OF THE BLIND  
T/A BLIND FEDERATION OF AMERICA  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2020**

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

**Revenue Recognition (Continued)**

Contract services relate to fee-for-service arrangements. Under these contracts, revenue is measured based on the amount of consideration specified in the contract. Revenue is recognized when performance obligations are satisfied under the terms of the contract, which generally occurs on a straight-line basis over the course of the contract. Government grants include monies received from government agencies in support of specific program activities. The grants serve as reimbursements of program costs incurred by the Federation. Revenue is recognized when there is reasonable assurance that the Federation has complied with the requirements of the grants and receipt of funds is reasonably assured. These contracts and government grants are covered under FASB ASC 606, Revenue from Contracts with Customers, as revenue is recognized over time. The Federation's receivables will generally be collected in less than thirty days in accordance with the underlying payment terms. The receivable balances are included in Note 2.

The Federation sells independence products and publications as a part of its mission to help blind individuals increase their independence and carry out daily activities. Revenue is recognized at the point of sale and is reported net of sales returns and allowances. These sales are covered under FASB ASC 606, Revenue from Contracts with Customers as revenue recognized at a point in time.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Federation 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 Federation 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, 2020, the Federation's cash balances were in excess of these insured limits. Management believes that the Federation is not exposed to any significant credit risk with respect to its cash balances. In addition, the Federation generally maintains investment balances in excess of the Securities Investor Protection Corporation (SIPC) limits.

The Federation 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 value of investment securities will occur in the near term and those changes could materially affect the value reported in the consolidated financial statements.

**Receivables**

Receivables represent monies due from grantors and other third parties. The Federation considers various factors as of the date of the consolidated financial statements in evaluating the credit quality of these balances, including historical collection experience and assessment of the counterparties' ability to repay their obligations. Based on these factors, management considers all receivables to be fully collectible; therefore, no allowance for doubtful accounts has been reflected in the consolidated financial statements.

**THE NATIONAL FEDERATION OF THE BLIND  
T/A BLIND FEDERATION OF AMERICA  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2020**

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

**Investments**

The Federation's investment portfolio is classified as trading and is reported at its fair value, based on quoted market prices at December 31, 2020. Realized and unrealized holding gains and losses on trading securities with readily determinable market values are included in net investment income (loss) in the consolidated statements of activities. Other investments are recorded under the equity or cost methods of accounting, as appropriate, in accordance with Investments – Equity and Joint Ventures Investments topic of the FASB Accounting Standards Codification. When the Federation owns less than a 20% interest and does not exert significant influence over the investment entity, the Federation applies the cost method of accounting.

Under the cost method, any dividends received are recognized as investment income and a gain or loss is only reported when the investment is sold. When the Federation has a controlling interest and can exert significant influence, the Federation applies the equity method of accounting. Under the equity method of accounting, the Federation increases its investments for cash contributions and its share of the investee's net income and decreases its investments for cash distributions and its share of the investee's net loss. The fair value of these investments has not been estimated because it is not practicable to estimate fair value on these investments. See Note 5 for a discussion of these other investments and Note 6 for a discussion of fair value measurements.

Included in investments in the consolidated statement of financial position are investments that are donor restricted in the amount of \$3,875,904 as of December 31, 2020.

**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 is recorded at fair value at the date of donation. 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 is included in operations. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the respective assets.

**Intangible Assets**

In accordance with the topic Intangibles – Goodwill and Other of the FASB Accounting Standards Codification, identified intangible assets other than goodwill are amortized over their estimated useful lives. Definite-lived intangible assets are amortized using the straight-line method over their estimated period of benefit. Management estimated the useful lives of these assets to be seven years. See Note 3.

The Federation makes certain estimates and assumptions in order to determine the fair value of net assets and liabilities, including, among other things, projected cash flows, cost of capital and growth rates, which could significantly impact the reported value of intangible assets. Estimating future cash flows requires significant judgment and the projections may vary from cash flows eventually realized. No indicators of impairment were identified in 2020.

**THE NATIONAL FEDERATION OF THE BLIND  
T/A BLIND FEDERATION OF AMERICA  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2020**

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

**Valuation of Long-Lived Assets**

The Federation 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 consolidated 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 consolidated statement of financial position. Management believes the value of long-lived assets exceed their carrying value as of December 31, 2020.

**Accrued Annuity Benefit**

The Federation had established a charitable gift annuity program where donors may contribute assets to the Federation and in return receive a guaranteed fixed income for life. The Federation maintains a segregated investment account to hold reserves required for gift annuity instruments. As of December 31, 2020, the balance in this reserve account amounted to \$156,122 and is adequate to cover the accrued annuity benefit liability. The Federation recognizes contribution revenue for the difference between the fair value of the assets received and the annuity liability. The accrued annuity benefit 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 a 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 accrued annuity benefit liability at December 31, 2020 includes future payments for beneficiaries who entered the program prior to its termination.

**Income Taxes**

The Federation 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, 2020.

**THE NATIONAL FEDERATION OF THE BLIND  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2020**

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

**Accounting for Uncertainty in Income Taxes**

The Federation 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 Federation in the preparation of its tax returns. The Federation 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 more-likely-than-not to be sustained, an estimate of the potential effect is recognized in the consolidated financial statements and the uncertain tax position is required to be disclosed. Per the Federation's evaluation as of December 31, 2020, including all prior tax years subject to examination, it was determined that no material adjustments were required in the consolidated financial statements for tax positions more-likely-than-not to be sustained upon examination by a taxing authority. The Federation believes it is no longer subject to income tax examinations for years prior to 2017.

**Donated Services and Media**

The Federation has adopted the Revenue Recognition for Not-for-Profit Entities topic of the FASB Accounting Standards Codification in the recognition of donated services. Donated services are recognized at fair value 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 and media are recorded as both public support and program services; therefore, there is no effect on the change in net assets.

Donated services consist of volunteer services, primarily for the orientation and adjustment to blindness and blindness advocacy. Volunteer services are recorded on the basis of time spent at rates paid by other organizations for comparable services. The volunteer services revenue for the year ended December 31, 2020 amounted to \$2,673,072 and is included in donated services in the consolidated statements of activities, and the expenditure is included in volunteer services in the consolidated statements of functional expenses.

The Federation has adopted the Revenue Recognition for Not-for-Profit Entities topic of the FASB Accounting Standards Codification in the recognition of donated media. Management employs an independent third party to assist in the valuation of the Federation's exposure to the public through various means including internet, radio, television time and printed materials in publications using the advertising value equivalency metric. The donated media revenue for the year ended December 31, 2020 amounted to \$4,235,950 and is included in donated services in the consolidated statements of activities, and the expenditure is included in donated media in the consolidated statements of functional expenses.

The Federation operates from the National Center for the Blind which allows free usage of facilities for organizations that serve the blind.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2020**

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

**Functional Expense Allocations**

The consolidated financial statements report certain costs that are attributable either to one or more program functions and / or to one or more program functions in conjunction with one or more supporting functions. 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. Salaries are allocated on the basis of estimates of time and effort; occupancy costs are allocated on the basis of square footage; and 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.

**COVID-19 Pandemic**

On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting many national, regional and local governments to implement preventative or protective measures. The United States government declared a national emergency with respect to COVID-19. The potential impact and duration of COVID-19 could have repercussions across regional, national and global economies and financial markets. Many states and cities have reacted by instituting quarantines, restrictions on travel, “stay at home” rules and restrictions on the types of business that may continue to operate. The impact on the Federation is still unknown.

**Subsequent Events**

Events that occurred subsequent to December 31, 2020 have been evaluated by the Federation’s management for potential recognition or disclosure in the consolidated financial statements through the date of the independent auditors’ report, which is the date the consolidated financial statements were available to be issued. Other than the event mentioned in Note 12, the Federation did not have any material recognizable subsequent events during this period.

**NOTE 2 – RECEIVABLES**

Receivables at December 31, 2020 consist of the following:

Contracts receivable	\$	250,908
Accounts receivable		665,706
Grants receivable		<u>63,638</u>
Total receivables	\$	<u>980,252</u>

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**NOTE 3 – INTANGIBLE ASSETS**

During 2015, the Federation's senior secured notes receivable from Media Arc, Inc. (Media Arc) were exchanged for the assignment of the rights of the KNFB hand held reading technology, as part of the dissolution and eventual sale of Media Arc. As a result of this transaction, the Federation acquired several intangible assets.

The Federation's intangible assets at December 31, 2020 consist of the following:

KNFB Reader App	\$ 2,072,262
Patents	195,351
Other intangibles	<u>97,668</u>
	2,365,281
Less: Accumulated amortization	<u>(1,874,928)</u>
Intangible assets - net	<u>\$ 490,353</u>

Amortization expense on intangible assets for the year ended December 31, 2020 amounted to \$490,355. Estimated annual amortization expense for each of the ensuing years through December 31, 2021 amounts to approximately \$490,000.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2020 consists of the following:

Office furniture and equipment	\$ 1,417,369
Computer equipment	<u>459,736</u>
	1,877,105
Less: Accumulated depreciation	<u>(1,775,538)</u>
Property and equipment - net	<u>\$ 101,567</u>

Depreciation expense for the year ended December 31, 2020 amounted to \$41,576.

**NOTE 5 – OTHER INVESTMENTS**

The Federation makes program-related investments to further its purpose of integrating the blind into society on the basis of equality. Such investments are made primarily to accomplish the Federation's program purpose rather than to produce income. As a result, changes in investments as a result of the investee's income or loss are reported as program costs in the consolidated statement of activities.

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**NOTE 5 – OTHER INVESTMENTS (Continued)**

The Federation has invested \$125,000 in E.A.S.Y., LLC (EASY), to develop and market products to enhance the technologies for freehand tactile graphics. The Federation considers its investment in EASY to be a program-related investment made for the purpose of ensuring that the blind have tools to produce, edit and communicate using freehand tactile drawings. The Federation has a 20% interest and has the ability to exert significant influence. The investment is accounted for under the equity method of accounting. EASY's investment balance as of December 31, 2020 amounted to \$89,608.

The following is a summary of EASY's condensed financial information as of and for the year ended December 31, 2020:

Assets	<u>\$ 45,899</u>
Liabilities	\$ 94,557
Equity	<u>(48,658)</u>
Total liabilities and equity	<u>\$ 45,899</u>
Revenue	\$ 42,202
Expenses	<u>(40,335)</u>
Net income (loss)	<u>\$ 1,867</u>

The Federation has invested in other investment activities using the cost method of accounting. The balance in these investment activities as of December 31, 2020 amounted to \$9,980.

**NOTE 6 – FAIR VALUE MEASUREMENTS**

The Federation 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 Federation 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.



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**NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)**

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.

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 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.

*Other investments:* Valued using the equity and cost methods of accounting.

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

*Accrued annuity benefit:* 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 Federation's management 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.

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**NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)**

The following table sets forth by level, within the fair value hierarchy, the Federation’s assets and liabilities at fair value at December 31, 2020:

<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	\$ 449,420	\$ -	\$ -	\$ 449,420
Mutual funds	19,651,323	-	-	19,651,323
Alternative investments	-	3,028,335	-	3,028,335
Other investments	-	-	99,588	99,588
Investments subtotal	20,100,743	3,028,335	99,588	23,228,666
Other investments - life insurance	-	-	3,540,268	3,540,268
<b>Total Assets at Fair Value</b>	<b>\$ 20,100,743</b>	<b>\$ 3,028,335</b>	<b>\$ 3,639,856</b>	<b>\$ 26,768,934</b>
<u>Liabilities:</u>				
Accrued annuity benefits	-	-	28,130	28,130

Included in these investments are certain private equities that have unfunded commitments of \$152,500 as of December 31, 2020.

There have been no changes in the methodologies used at December 31, 2020. 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 consolidated financial statements.

The following table sets forth a summary of changes in the fair value of the Federation’s level 3 assets and liabilities for the year ended December 31, 2020:

	<u>Level 3 Assets</u>	<u>Level 3 Liabilities</u>
Balance - beginning of year	\$ 3,179,512	\$ 28,130
Net increase in cash surrender value	460,344	-
Balance - end of year	<u>\$ 3,639,856</u>	<u>\$ 28,130</u>

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**NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)**

The Federation's return on investments for the year ended December 31, 2020 consisted of the following components:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Interest and dividends - net	\$ 368,629	\$ 35,076	\$ 403,705
Gains (losses) on investments:			
Net realized gains	701,346	62,156	763,502
Net change in unrealized gains	1,508,204	391,046	1,899,250
Life insurance - net of premiums	<u>168,494</u>	<u>-</u>	<u>168,494</u>
Net gains on investments	<u>2,378,044</u>	<u>453,202</u>	<u>2,831,246</u>
Total return on investments	<u>\$ 2,746,673</u>	<u>\$ 488,278</u>	<u>\$ 3,234,951</u>

Expenses relating to investment revenue, including custodial fees and investment advisory fees, amounted to \$165,772 for the year ended December 31, 2020 and have been netted with interest and dividends.

**NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions at December 31, 2020 are as follows:

Board designated funds	\$ 406,122
Investment in property and equipment	101,567
Undesignated	<u>27,526,587</u>
Total net assets without donor restrictions	<u>\$ 28,034,276</u>

Board designated funds consist of financial assets designated specifically by the board of directors of the Federation. The board designated funds consist of funds available to cover the annuity benefit obligations and investments.

**NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at December 31, 2020 are as follows:

Scholarship funds	\$ 818,392
Bolotin award	2,635,160
General funds	<u>422,352</u>
Total net assets with donor restrictions	<u>\$ 3,875,904</u>

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**NOTE 9 – NET ASSETS RELEASED FROM RESTRICTIONS**

During the year, net assets with donor restrictions were released for the following purpose:

Scholarships	\$ 27,896
Bolotin award	<u>162,514</u>
Net assets released from restrictions	<u>\$ 190,410</u>

**NOTE 10 – ALLOCATION OF JOINT COSTS**

The Federation incurred joint costs of \$2,344,382 for informational messages and activities that included fundraising appeals. Of those costs, \$1,195,635 was allocated to fundraising expense and \$1,148,747 was allocated to blindness integration. Management based these allocations on an analysis of the content of the messages, reasons for distributing the messages and the audience to whom the messages were distributed.

**NOTE 11 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Federation's financial assets available to meet cash needs for general expenditures within one year of December 31, 2020 are as follows:

Cash and cash equivalents	\$ 3,482,151
Receivables	980,252
Investments	23,228,666
Other investments - life insurance	<u>3,540,268</u>
Total financial assets	31,231,337
Donor imposed restrictions	
Scholarships, Bolotin and General funds	<u>(3,875,904)</u>
Financial assets available to meet cash needs for general expenditures within one year (includes board designated funds)	27,355,433
Board designated funds	<u>(406,122)</u>
Financial assets available to meet cash needs for general expenditures within one year (excludes board designated funds)	<u>\$ 26,949,311</u>

As part of the Federation'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 Federation invests cash in excess of daily requirements in short term investments and has board designated net assets without donor restrictions that could be made available for current operations, if necessary. General expenditures are expenses the Federation expects to disburse for program and supporting services.

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**NOTE 12 – PAYROLL PROTECTION PROGRAM LOAN**

On April 13, 2020, the Federation was granted a loan from First National Bank of Pennsylvania in the amount of \$1,196,727, under the SBA Payroll Protection Program (PPP). Under the terms of the PPP, certain amounts of the loan may be forgiven if loan proceeds are used for qualifying expenses and maintain employee and compensation levels during a designated 24-week period as described in the CARES Act. Qualifying expenses include amounts paid, during a 24 week period beginning on the loan origination date, for payroll costs, certain payroll benefits, rent and utilities. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%. The loan may be prepaid by the Federation at any time prior to maturity with no prepayment penalties.

The PPP loan forgiveness is recognized under FASB ASC 958-605 – Not-for-Profit Entities – Revenue Recognition, whereby the transfer of assets that is a conditional contribution is accounted for as a refundable advance until the conditions have been substantially met or explicitly waived by the donor. Where conditions are met over time or in stages, contributions should be recognized as income as the qualifying expenses are incurred and other PPP loan requirements are substantially met. As of December 31, 2020, all conditions have been substantially met on the loan, therefore, the entire loan balance is recognized as forgiven. Subsequent to December 31, 2020, the Federation received notice from First National Bank of Pennsylvania that the SBA has repaid the entire loan balance including accrued interest. The PPP loan forgiveness for the year ended December 31, 2020 amounted to \$1,196,727 and is included in the consolidated statement of activities in government grants and contract services.