

**Louisiana Association
for the Blind
Financial Statements
Years Ended September 30, 2018 and 2017**

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Independent Auditor's Report

The Board of Directors
Louisiana Association for the Blind
Shreveport, Louisiana

I have audited the accompanying financial statements of Louisiana Association for the Blind, which comprise the statements of financial position for the years ended September 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and summary of significant accounting policies and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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, I 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 financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Association for the Blind as of September 30, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedules of general and administrative expenses, sales and cost of sales, sales and cost of sales - base service centers, state contracts and compensation, benefits and other payments to agency head are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of general and administrative expenses, sales and cost of sales, sales and cost of sales - base service centers, state contracts, and compensation, benefits and other payments to agency head are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedules of general and administrative expenses, sales and cost of sales, sales and cost of sales - base service centers, state contracts, and compensation, benefits and other payments to agency head are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Certified Public Accountant

Shreveport, Louisiana
March 15, 2019

Louisiana Association for the Blind

Statements of Financial Position

| | September 30, 2018 | | | September 30, 2017 | | |
|---|----------------------|------------------------------------|---------------------|----------------------|------------------------------------|--------------------|
| | Unrestricted Fund | Temporarily Restricted Funds | Total All Funds | Unrestricted Fund | Temporarily Restricted Funds | Total All Funds |
| Assets | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 6,621,451 | \$6,579 | \$ 6,628,030 | \$ 5,242,253 | \$5,059 | \$ 5,247,312 |
| Short-term investments (Notes 3 and 4) | 4,311,614 | - | 4,311,614 | 3,744,650 | - | 3,744,650 |
| Accounts receivable (Notes 6, 11 and 15) | 2,887,343 | - | 2,887,343 | 2,974,166 | - | 2,974,166 |
| Inventories (Note 1) | 2,455,126 | - | 2,455,126 | 2,099,582 | - | 2,099,582 |
| Prepaid expenses and other | 60,334 | - | 60,334 | 42,093 | - | 42,093 |
| Total current assets | 16,335,868 | 6,579 | 16,342,447 | 14,102,744 | 5,059 | 14,107,803 |
| Long-term investments (Notes 3 and 4) | 5,908,279 | - | 5,908,279 | 6,185,042 | - | 6,185,042 |
| Property and equipment, net (Note 2) | 8,446,855 | - | 8,446,855 | 8,744,167 | - | 8,744,167 |
| | \$30,691,002 | \$6,579 | \$30,697,581 | \$29,031,953 | \$5,059 | \$29,037,012 |
| Liabilities and Net Assets | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | \$ 1,194,259 | \$ - | \$ 1,194,259 | \$ 1,277,062 | \$ - | \$ 1,277,062 |
| Accrued payroll and related expenses | 616,692 | - | 616,692 | 476,930 | - | 476,930 |
| Deferred revenue | 369,088 | - | 369,088 | 296,002 | - | 296,002 |
| Total liabilities - all current | 2,180,039 | - | 2,180,039 | 2,049,994 | - | 2,049,994 |
| Commitments and contingencies (Note 5) | | | | | | |
| Net assets: | | | | | | |
| Unrestricted | 28,510,963 | - | 28,510,963 | 26,981,959 | - | 26,981,959 |
| Temporarily restricted (Note 7) | - | 6,579 | 6,579 | - | 5,059 | 5,059 |
| Total net assets | 28,510,963 | 6,579 | 28,517,542 | 26,981,959 | 5,059 | 26,987,018 |
| | \$30,691,002 | \$6,579 | \$30,697,581 | \$29,031,953 | \$5,059 | \$29,037,012 |

See accompanying summary of accounting policies and notes to financial statements.

Louisiana Association for the Blind

Statements of Activities

| <i>Years Ended</i> | September 30, 2018 | | | September 30, 2017 | | |
|--|----------------------|------------------------------------|----------------------|----------------------|------------------------------------|--------------------|
| | Unrestricted Fund | Temporarily Restricted Funds | Total All Funds | Unrestricted Fund | Temporarily Restricted Funds | Total All Funds |
| Sales (Note 6) | \$ 25,277,610 | \$ - | \$ 25,277,610 | \$ 23,997,920 | \$ - | \$ 23,997,920 |
| Cost of sales | (19,890,471) | - | (19,890,471) | (19,479,484) | - | (19,479,484) |
| Gross profit | 5,387,139 | - | 5,387,139 | 4,518,436 | - | 4,518,436 |
| Expenses: | | | | | | |
| Selling | 780,359 | - | 780,359 | 735,247 | - | 735,247 |
| General and administrative | 3,386,405 | - | 3,386,405 | 3,490,552 | - | 3,490,552 |
| Total expenses | 4,166,764 | - | 4,166,764 | 4,225,799 | - | 4,225,799 |
| Increase in net assets from operations | 1,220,375 | - | 1,220,375 | 292,637 | - | 292,637 |
| Other income (expense): | | | | | | |
| Investment income, net | 294,041 | - | 294,041 | 504,373 | - | 504,373 |
| Interest expense | (37) | - | (37) | (6) | - | (6) |
| Other (Note 14) | 3,453 | - | 3,453 | (229,026) | - | (229,026) |
| Support, net of expense of \$28,338 and \$8,579 | 12,692 | - | 12,692 | 38,953 | 2,004 | 40,957 |
| Net assets released from restrictions | (1,520) | 1,520 | - | - | - | - |
| Total other income | 308,629 | 1,520 | 310,149 | 314,294 | 2,004 | 316,298 |
| Increase in net assets | 1,529,004 | 1,520 | 1,530,524 | 606,931 | 2,004 | 608,935 |
| Net assets, beginning of year | 26,981,959 | 5,059 | 26,987,018 | 26,375,028 | 3,055 | 26,378,083 |
| Net assets, end of year | \$ 28,510,963 | \$6,579 | \$ 28,517,542 | \$ 26,981,959 | \$ 5,059 | \$ 26,987,018 |

See accompanying summary of accounting policies and notes to financial statements.

Louisiana Association for the Blind

Statements of Cash Flows

| <i>Years Ended</i> | September 30, 2018 | | | September 30, 2017 | | |
|---|----------------------|------------------------------------|---------------------|----------------------|------------------------------------|--------------------|
| | Unrestricted Fund | Temporarily Restricted Funds | Total All Funds | Unrestricted Fund | Temporarily Restricted Funds | Total All Funds |
| Cash Flows from Operating Activities: | | | | | | |
| Increase in net assets | \$ 1,529,004 | \$1,520 | \$ 1,530,524 | \$ 606,931 | \$2,004 | \$ 608,935 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | | | | | |
| Depreciation and amortization | 463,050 | - | 463,050 | 493,023 | - | 493,023 |
| Loss (gain) on disposition of assets | (4,302) | - | (4,302) | 57,918 | - | 57,918 |
| Realized gain on sale of investments | (357,734) | - | (357,734) | (239,451) | - | (239,451) |
| Unrealized loss (gain) on investments | 193,733 | - | 193,733 | (106,037) | - | (106,037) |
| Change in operating assets and liabilities: | | | | | | |
| Accounts receivable | 86,823 | - | 86,823 | 465,498 | - | 465,498 |
| Inventories | (355,544) | - | (355,544) | 206,729 | - | 206,729 |
| Prepaid expenses and other | (18,241) | - | (18,241) | 30,543 | - | 30,543 |
| Accounts payable | (82,803) | - | (82,803) | 118,924 | - | 118,924 |
| Accrued payroll and related expenses | 139,762 | - | 139,762 | (16,215) | - | (16,215) |
| Deferred revenue | 73,086 | - | 73,086 | 2,045 | - | 2,045 |
| Net cash provided by operating activities | 1,666,834 | 1,520 | 1,668,354 | 1,619,908 | 2,004 | 1,621,912 |
| Cash Flows from Investing Activities: | | | | | | |
| Additions to plant and equipment | (161,436) | - | (161,436) | (184,360) | - | (184,360) |
| Purchases of marketable securities | (8,215,798) | - | (8,215,798) | (6,653,849) | - | (6,653,849) |
| Proceeds from sale of securities | 8,089,598 | - | 8,089,598 | 5,996,905 | - | 5,996,905 |
| Net cash used in investing activities | (287,636) | - | (287,636) | (841,304) | - | (841,304) |
| Net increase in cash and cash equivalents | 1,379,198 | 1,520 | 1,380,718 | 778,604 | 2,004 | 780,608 |
| Cash and cash equivalents at beginning of year | 5,242,253 | 5,059 | 5,247,312 | 4,463,649 | 3,055 | 4,466,704 |
| Cash and cash equivalents at end of year | \$ 6,621,451 | \$6,579 | \$ 6,628,030 | \$ 5,242,253 | \$ 5,059 | \$ 5,247,312 |

See accompanying summary of accounting policies and notes to financial statements.

Summary of Accounting Policies

This summary of accounting policies of Louisiana Association for the Blind (the "Association") is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management, which is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

Nature of Business

Louisiana Association for the Blind (the "Association") is a not-for-profit organization formed to rehabilitate, train, employ and furnish services for the blind in Northwest Louisiana. Employment opportunities are provided primarily through the Association's manufacture of copy paper, abrasive and deck covering products, printing of brochures, magazines and advertising materials, and retail sales for Barksdale Air Force Base and Fort Polk Army Installation. These financial statements include the accounts of the Association and those of the Shreveport Association for the Blind Charitable Trust, which is a trust fully controlled and administered by the management and board of directors of the Association.

Basis of Accounting

The Association uses the accrual basis of accounting for both unrestricted and restricted funds. Unrestricted fund assets, liabilities, revenue and expenses are those items acquired or incurred through the Association's normal fund raising efforts and production activities. Restricted fund assets, liabilities, revenues and expenses include those items acquired or received through the Association's fund raising efforts as well as those items received or incurred pursuant to grants from various agencies, the use of which is governed by restrictions placed thereon by the donors. Restricted funds may be used only for the purposes for which the donor or grantor contributed such funds.

Property, Equipment and Depreciation

It is the Association's policy to capitalize property and equipment over \$2,000. Lesser amounts are expensed. Purchased property and equipment are recorded at cost. Donated items are recorded at the fair market value of the items on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the various classes of assets ranging from three to forty years. Maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed as incurred.

Revenue Recognition

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted donations on which the restriction expires in the same year received are reported in the unrestricted fund.

Income Taxes

As a not-for-profit, privately supported organization, the Association is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, but must file an annual return with the Internal Revenue Service that contains information on its financial operations. The Association is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax exempt entity. The Association also must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Association does not expect any of its tax positions to change significantly over the next twelve months and does not believe any of its activities create unrelated business income subject to tax. Any penalties related to late filings or other requirements would be recognized as penalties expense in the Association's accounting records.

The Association is required to file U.S. federal Form 990 for informational purposes. Its federal income tax filings for the years ended 2015 and beyond remain subject to examination by the Internal Revenue Service.

Cash

For purposes of the statements of cash flows, cash includes cash in bank accounts and interest-bearing deposits with original maturities of 90 days or less which are not held for investment purposes. Investments are excluded from cash regardless of maturity, as management does not intend to use such funds within 90 days. At September 30, 2018, \$6,111,255 in cash and cash equivalents (collected bank balances) were not insured with the FDIC.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management include the value of investments, the collectability of recorded accounts receivable, inventory valuation and the life of fixed assets.

Inventories

Inventories, consisting primarily of paper and paper related office products, abrasives, safety walk, and base service store material, are valued at the lower of cost or net realizable value. Cost is determined on an average cost basis.

Financial Statement Presentation

The Association has adopted FASB ASC 958-205, "Presentation of Financial Statements for Not-for-Profit Entities." Under FASB ASC 958-205, the Association is required to report information regarding the financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Association does not use fund accounting.

Contributions

The Association has also adopted FASB ASC 958-605, "Revenue Recognition - Contributions Received." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

Investments

The Association has adopted FASB ASC 958-320, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Fair values are computed based on quoted market values as provided by the Association's financial advisors.

Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Accounts Receivable

Accounts receivable are presented in the accompanying financial statement net of any allowance for doubtful accounts. Management periodically reviews past due accounts to determine if circumstances indicate that all, or a portion, of a customer's account will not be collectible. Based on this assessment, management reserves that portion of the receivable deemed to be uncollectible. At September 30, 2018 and 2017, the allowance for bad debts was \$-0-.

Advertising

The Association expenses advertising as it is incurred. The Association expended \$17,269 and \$12,815 in the years ended September 30, 2018 and 2017, respectively for advertising.

Reclassification of Prior Year Amounts

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

1. Inventories

Inventories are summarized as follows:

| <i>September 30,</i> | 2018 | 2017 |
|--------------------------------|--------------------|--------------------|
| Raw materials | \$ 695,772 | \$ 695,471 |
| Finished goods | 704,118 | 571,671 |
| Work in process | 1,229 | 458 |
| Manufacturing inventory | 1,401,119 | 1,267,600 |
| Base Service Store inventories | 1,054,007 | 831,982 |
| Total | \$2,455,126 | \$2,099,582 |

2. Property and Equipment

Major classes of property and equipment consist of the following:

| <i>September 30,</i> | 2018 | 2017 |
|--|---------------------|---------------------|
| Buildings | \$ 6,860,944 | \$ 6,860,944 |
| Leasehold improvements - Fort Polk | 2,067,033 | 2,067,033 |
| Machinery | 1,633,940 | 1,633,940 |
| Xerox paper equipment | 1,357,288 | 1,350,742 |
| Padding equipment | 937,605 | 932,105 |
| Land | 592,298 | 592,298 |
| Abrasive / deck equipment | 713,107 | 581,070 |
| Furniture and fixtures | 456,697 | 456,697 |
| Automobiles and trucks | 455,432 | 449,544 |
| Machinery - Base Service Store | 156,588 | 156,588 |
| Automobiles and trucks - Fort Polk | 48,044 | 48,044 |
| Machinery - Fort Polk | 46,734 | 46,734 |
| Automobiles and trucks - Base Service Store | 29,338 | 29,338 |
| Leasehold improvements - Base Service Store | 9,500 | 9,500 |
| | 15,364,548 | 15,214,577 |
| Less accumulated depreciation and amortization | (6,917,693) | (6,470,410) |
| Net property and equipment | \$ 8,446,855 | \$ 8,744,167 |

Depreciation and amortization expense for the years ended September 30, 2018 and 2017 totaled \$463,050 and \$493,023, respectively.

Louisiana Association for the Blind

Notes to Financial Statements - (Continued)

3. Investments

Investments are stated at fair value and consist of the following:

| September 30, 2018 | Cost | Gross Unrealized Gains | Gross Unrealized (Losses) | Estimated Market Value |
|--|--------------------|------------------------------|---------------------------------|------------------------------|
| Morgan Stanley Smith Barney Short Term Reserve Account: | | | | |
| Cash and money market | \$ 19,143 | \$ - | \$ - | \$ 19,143 |
| Corporate fixed income | 1,095,208 | - | (7,882) | 1,087,326 |
| U.S. Government securities | 1,135,628 | - | (4,853) | 1,130,775 |
| | <u>2,249,979</u> | - | <u>(12,735)</u> | <u>2,237,244</u> |
| MetLife Short Term Account: | | | | |
| Cash and money market | 364,519 | - | - | 364,519 |
| Certificates of deposit | 1,706,000 | 3,851 | - | 1,709,851 |
| | <u>2,070,519</u> | <u>3,851</u> | <u>-</u> | <u>2,074,370</u> |
| Total short-term investments | \$4,320,498 | \$3,851 | \$(12,735) | \$4,311,614 |
| Morgan Stanley Smith Barney Intermediate Term Reserve Account: | | | | |
| Cash and money market | \$ 72,373 | \$ - | \$ - | \$ 72,373 |
| Government & GSE | 1,861,151 | - | (41,006) | 1,820,145 |
| Corporate fixed income | 851,251 | - | (4,577) | 846,674 |
| Exchange-traded funds | 630,015 | 15,166 | - | 645,181 |
| Common stocks | 461,046 | 89,072 | - | 550,118 |
| | <u>3,875,836</u> | <u>104,238</u> | <u>(45,583)</u> | <u>3,934,491</u> |
| Charitable Trust Fund: | | | | |
| Cash and money market | 52,162 | - | - | 52,162 |
| Common stocks | 602,328 | 167,154 | - | 769,482 |
| Exchange-traded funds | 1,101,688 | 28,444 | - | 1,130,132 |
| Mutual funds | 21,996 | 16 | - | 22,012 |
| | <u>1,778,174</u> | <u>195,614</u> | <u>-</u> | <u>1,973,788</u> |
| Total long-term investments | \$5,654,010 | \$299,852 | \$(45,583) | \$5,908,279 |

Louisiana Association for the Blind

Notes to Financial Statements - (Continued)

3. Investments - (Continued)

| September 30, 2017 | Cost | Gross Unrealized Gains | Gross Unrealized (Losses) | Estimated Market Value |
|--|--------------------|------------------------------|---------------------------------|------------------------------|
| Morgan Stanley Smith Barney Short Term Reserve Account: | | | | |
| Cash and money market | \$ 33,084 | \$ - | \$ - | \$ 33,084 |
| Corporate fixed income | 1,190,457 | 6,831 | - | 1,197,288 |
| U.S. Government securities | 1,010,697 | - | (1,585) | 1,009,112 |
| | <u>2,234,238</u> | <u>6,831</u> | <u>(1,585)</u> | <u>2,239,484</u> |
| MetLife Short Term Account: | | | | |
| Cash and money market | 9,430 | - | - | 9,430 |
| Corporate fixed income | 697,882 | - | (1,101) | 696,781 |
| Asset backed securities | 573,000 | - | (8,298) | 564,702 |
| U.S. Government securities | 183,661 | 7,132 | - | 190,793 |
| Municipal bonds | 45,810 | - | (2,350) | 43,460 |
| | <u>1,509,783</u> | <u>7,132</u> | <u>(11,749)</u> | <u>1,505,166</u> |
| Total short-term investments | \$3,744,021 | \$13,963 | \$ (13,334) | \$3,744,650 |
| Morgan Stanley Smith Barney Intermediate Term Reserve Account: | | | | |
| Cash and money market | \$ 93,530 | \$ - | \$ - | \$ 93,530 |
| Government & GSE | 1,418,568 | 2,685 | - | 1,421,253 |
| Common stocks | 708,574 | 128,408 | - | 836,982 |
| Corporate fixed income | 751,256 | 18,701 | - | 769,957 |
| Exchange-traded funds | 614,795 | 77,368 | - | 692,163 |
| | <u>3,586,723</u> | <u>227,162</u> | <u>-</u> | <u>3,813,885</u> |
| MetLife UMA Portfolio: | | | | |
| Cash and money market | 39,193 | - | - | 39,193 |
| Common Stocks | 170,287 | 63,160 | - | 233,447 |
| U.S. Government securities | 139,196 | - | (468) | 138,728 |
| Corporate fixed income | 110,812 | 1,759 | - | 112,571 |
| Mutual funds | 45,738 | 186 | - | 45,924 |
| | <u>505,226</u> | <u>65,105</u> | <u>(468)</u> | <u>569,863</u> |
| Charitable Trust Fund: | | | | |
| Cash and money market | 46,022 | - | - | 46,022 |
| Corporate fixed income | 695,438 | 95,210 | - | 790,648 |
| Exchange-traded funds | 633,674 | 70,445 | - | 704,119 |
| Mutual funds | 252,869 | 7,636 | - | 260,505 |
| | <u>1,628,003</u> | <u>173,291</u> | <u>-</u> | <u>1,801,294</u> |
| Total long-term investments | \$5,719,952 | \$465,558 | \$ (468) | \$6,185,042 |

3. Investments - (Continued)

The Board of Directors of the Association has full responsibility for governance of the Charitable Trust Fund (Trust). Income earned by the Trust is available for use in connection with any activity, which directly benefits the blind, primarily educational, charitable or literary purposes. Principal of the Trust is available for use only to the extent the original donor has so provided. At September 30, 2018, no assets of the Charitable Trust Fund were permanently restricted.

The following schedule summarizes the investment return and its classification in the statements of activities:

| September 30, 2018 | Unrestricted | Temporarily Restricted | Total |
|------------------------------------|-------------------|---------------------------|-------------------|
| Net realized and unrealized gains | \$ 126,870 | \$ - | \$ 126,870 |
| Interest income | 160,505 | - | 160,505 |
| Dividends | 69,322 | - | 69,322 |
| Investment expenses | (62,656) | - | (62,656) |
| Total return on investments | \$ 294,041 | \$ - | \$ 294,041 |

| September 30, 2017 | Unrestricted | Temporarily Restricted | Total |
|------------------------------------|------------------|---------------------------|------------------|
| Net realized and unrealized gains | \$345,489 | \$ - | \$345,489 |
| Interest income | 148,304 | - | 148,304 |
| Dividends | 76,542 | - | 76,542 |
| Investment expenses | (65,962) | - | (65,962) |
| Total return on investments | \$504,373 | \$ - | \$504,373 |

4. Fair Value of Financial Instruments

The Association has adopted FASB ASC Topic 820, "Fair Value Measurements" (Topic 820). Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata include:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume);
- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market; and

4. Fair Value of Financial Instruments - (Continued)

- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Association-specific data. These unobservable assumptions reflect the Association's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Fair values of assets and liabilities measured on a recurring basis at September 30, 2018 and 2017 are as follows:

| | Assets at Fair Value as of September 30, 2018 | | | |
|--|---|--------------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Fair Value |
| Money Markets | \$ - | \$ 508,197 | \$ - | \$ 508,197 |
| Certificates of Deposit | - | 1,709,851 | - | 1,709,851 |
| Mutual Funds: | | | | |
| Exchange-traded Funds | 1,775,313 | - | - | 1,775,313 |
| Domestic Growth | 22,012 | - | - | 22,012 |
| Total Mutual Funds | 1,797,325 | - | - | 1,797,325 |
| Government Obligations and Corporate Bonds | - | 4,884,920 | - | 4,884,920 |
| Common Stocks - Domestic | 1,319,600 | - | - | 1,319,600 |
| Total | \$3,116,925 | \$7,102,968 | \$ - | \$10,219,893 |

| | Assets at Fair Value as of September 30, 2017 | | | |
|--|---|--------------------|-------------|--------------------|
| | Level 1 | Level 2 | Level 3 | Fair Value |
| Money Markets | \$ - | \$ 221,257 | \$ - | \$ 221,257 |
| Mutual Funds: | | | | |
| Exchange-traded funds | 1,396,283 | - | - | 1,396,283 |
| Domestic Growth | 539,876 | - | - | 539,876 |
| Total Mutual Funds | 1,936,159 | - | - | 1,936,159 |
| Government Obligations and Corporate Bonds | - | 5,579,943 | - | 5,579,943 |
| Common Stocks - Domestic | 1,627,630 | - | - | 1,627,630 |
| Asset-backed securities | - | 564,703 | - | 564,703 |
| Total | \$3,563,789 | \$6,365,903 | \$ - | \$9,929,692 |

5. Commitments, Contingencies and Leases

The Association leases equipment for some of its activities under operating leases. Minimum rentals under the leases with initial or remaining terms in excess of one year were as follows at September 30, 2018:

| Year | Operating Lease Payments |
|------------------------------|--------------------------|
| 2019 | \$176,656 |
| 2020 | 175,105 |
| 2021 | 175,105 |
| 2022 | 120,840 |
| 2022 and thereafter | 48,607 |
| Total minimum rentals | \$696,313 |

Amounts charged to operations under operating leases totaled \$194,120 and \$191,861, in 2018 and 2017, respectively.

In the normal course of business, the Association may be subject to various claims and litigation. The Association anticipates no material losses as a result of any such actions.

6. Major Customer

The majority of the Association's sales are to agencies of the United States Government or to third-party commercial enterprises, which then resale the products to agencies of the United States Government. Sales to agencies of the United States Government and such commercial enterprises accounted for approximately 94% and 88% of total sales in 2018 and 2017. Related accounts receivable accounted for approximately 93% and 86% of total accounts receivable at September 30, 2018 and 2017, respectively.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are as follows:

| | 2018 | 2017 |
|--------------|----------------|----------------|
| Scholarships | \$6,579 | \$5,059 |
| | \$6,579 | \$5,059 |

8. Retirement Plan

The Association has a qualified, contributory 401(k) plan for all eligible employees. Effective January 1, 2011, the Association amended the plan to allow eligible employees to contribute up to the legal limit from their compensation and the Association would match employee contributions 100% up to 5% of eligible compensation. Also, the Association can contribute a discretionary amount as determined annually by the Board of Directors based on year-end profits. No discretionary contributions were made in either year.

The total of the discretionary contributions, matching contributions and employee contributions may not exceed the maximum as allowed by law for each employee. Matching contributions charged against operations amounted to \$142,055 and \$150,084 in 2018 and 2017, respectively.

9. Supplemental Cash Flows Information

Cash paid for interest totaled \$37 and \$6 for the years ended September 30, 2018 and 2017, respectively.

10. Major Vendors

One vendor accounted for 27% of purchases in 2018 and 27% in 2017.

11. State of Louisiana Contract

In 2018 and 2017, the Association received revenue totaling \$297,969 and \$490,250, respectively from the State of Louisiana. The funds were expended in exchange for providing certain services and procuring certain equipment based on an annual budget request submitted to the State of Louisiana. Such budget items included acquisitions (or major repair) of property and equipment, advertising costs, staff salaries and professional services. Included in Accounts Receivable as of September 30, 2018 and 2017 are \$293,169 and \$280,006, respectively, in accounts receivable related to this revenue.

12. Subsequent Events

In accordance with FASB Accounting Standards Codification topic 855 "Subsequent Events," the Association evaluated events and transactions that occurred after the statement of financial position date but before the financial statements were made available for issuance for potential recognition or disclosure in the financial statements. The Association evaluated such events through March 15, 2019, the date the financial statements were available to be issued, and noted no subsequent events that required provision for or disclosure in the financial statements.

13. Related Party Transactions

In 2017, the Association purchased its group insurance through an agent whose spouse was also a member of the Board of Directors. Total group insurance premiums amounted to approximately \$832,000 in 2017. In 2017, the agent for the Association’s qualified 401(k) plan was also the spouse of a member of the Board of Directors. Total contributions to the plan, including employee contributions, amounted to approximately \$353,000 in 2017.

The Association has an agreement with the National Industries for the Blind (“NIB”), under which NIB acts as a prime contractor and central nonprofit agency for the Association to obtain governmental contracts under the Ability One, formerly Javits-Wagner-O’Day (JWOD) Program. The Association pays commissions of 3.93% to NIB on all Ability One sales for which either the Association or NIB act as the prime contractor. Commissions paid to NIB for Ability One sales were \$602,462 and \$607,139 for the years ended September 30, 2018 and 2017, respectively.

14. Other Income

Other loss for the year ended September 30, 2017 represents the cost of demolishing the building located at 1750 Claiborne Avenue in Shreveport, Louisiana.

15. Accounts Receivable

Accounts receivable comprise the following:

| | 2018 | 2017 |
|---------------------------|--------------------|--------------------|
| Trade accounts receivable | \$2,592,051 | \$2,974,166 |
| Other receivables | 295,292 | - |
| | \$2,887,343 | \$2,974,166 |

Supplementary Information

Louisiana Association for the Blind

Schedules of General and Administrative Expenses

| <i>Years Ended September 30,</i> | 2018 | 2017 |
|----------------------------------|--------------------|--------------------|
| Salaries - Administrative | \$1,209,272 | \$1,202,349 |
| Salaries - Maintenance and Other | 477,998 | 573,797 |
| Group Insurance | 249,469 | 310,872 |
| Depreciation | 233,980 | 255,337 |
| Employee Benefits | 179,745 | 177,173 |
| Payroll Taxes | 162,930 | 163,627 |
| General Insurance | 152,794 | 183,769 |
| Repairs and Maintenance | 96,846 | 118,742 |
| Dues and Subscriptions | 71,240 | 59,680 |
| Rental Expense | 61,203 | 48,488 |
| Retirement | 59,925 | 63,329 |
| Travel | 50,896 | 42,763 |
| Consulting Expense | 46,140 | 6,500 |
| Miscellaneous | 45,993 | 1,129 |
| Telephone | 44,983 | 52,012 |
| Audit and Accounting Expense | 43,314 | 42,500 |
| Office Supplies | 41,078 | 37,730 |
| Supplies | 32,635 | 32,293 |
| Utilities | 25,463 | 28,102 |
| Legal Fees | 23,184 | 21,630 |
| Special Events | 18,946 | 4,814 |
| Advertising Expense | 17,269 | 12,815 |
| Truck and Auto | 11,100 | 10,033 |
| Gifts | 6,549 | 4,931 |
| Tools and Small Equipment | 5,279 | 12,476 |
| Property Taxes | 4,811 | 6,955 |
| Postage | 4,716 | 4,417 |
| Security | 3,860 | 6,680 |
| Entertainment | 1,741 | 1,682 |
| Employee Testing | 1,660 | 950 |
| Board and Other Meeting Expense | 1,139 | 1,576 |
| Freight | 247 | 1,131 |
| Allocated G&A | - | 270 |
| | \$3,386,405 | \$3,490,552 |

Years Ended

September 30, 2018

| | Paper | Abrasives / Deck Coverings | Low-Vision | Xerox & Other | Printing Services | Total |
|--|----------------|----------------------------------|----------------|-------------------|----------------------|-------------------|
| Sales: | | | | | | |
| General Services Administration | \$ - | \$ 755,018 | \$ - | \$ 3,544,858 | \$ - | \$ 4,299,876 |
| MAS and Ability One | 324,990 | 841,371 | - | 10,174,746 | - | 11,341,107 |
| Commercial / NON-NIB | 94,733 | 1,872,215 | - | 156,812 | 464,115 | 2,587,875 |
| Waste | 30 | - | - | 173,145 | - | 173,175 |
| Base Service Stores | 230 | - | - | 117,996 | - | 118,226 |
| State Contract | - | - | 38,874 | - | - | 38,874 |
| Other | - | 11,876 | 542,117 | 14,469 | - | 568,462 |
| | 419,983 | 3,480,480 | 580,991 | 14,182,026 | 464,115 | 19,127,595 |
| Cost of Sales: | | | | | | |
| Beginning inventory | 98,676 | 386,870 | 16,293 | 761,894 | 3,867 | 1,267,600 |
| Add: Purchase / transfer from other departments | 163,862 | 1,709,341 | 138,512 | 8,308,948 | 132,451 | 10,453,114 |
| Less: Ending inventory | (71,082) | (500,185) | (27,243) | (778,674) | (23,935) | (1,401,119) |
| Raw materials consumed | 191,456 | 1,596,026 | 127,562 | 8,292,168 | 112,383 | 10,319,595 |
| Manufacturing costs | 578,962 | 667,386 | 809,828 | 1,964,056 | 322,250 | 4,342,482 |
| Cost of sales | 770,418 | 2,263,412 | 937,390 | 10,256,224 | 434,633 | 14,662,077 |
| Gross profit (loss) | \$ (350,435) | \$1,217,068 | \$ (356,399) | \$ 3,925,802 | \$ 29,482 | \$ 4,465,518 |
| Gross profit as a percent of sales | NM | 35.0% | NM | 27.7% | 6.4% | 23.3% |

NM - Not Meaningful

Louisiana Association for the Blind

Schedules of Sales and Cost of Sales

| September 30, 2017 | | | | | | |
|--------------------|----------------------------------|-------------|------------------|----------------------|--------------|--|
| Paper | Abrasives / Deck Coverings | Low-Vision | Xerox & Other | Printing Services | Total | |
| \$ - | \$ 689,626 | \$ - | \$ 3,172,523 | \$ - | \$ 3,862,149 | |
| 386,395 | 791,491 | - | 10,788,787 | - | 11,966,673 | |
| 317,814 | 1,630,056 | - | 136,129 | 369,617 | 2,453,616 | |
| 58 | - | - | 157,844 | - | 157,902 | |
| 189 | 85 | - | 117,919 | - | 118,193 | |
| - | - | 184,595 | - | - | 184,595 | |
| - | 195 | 313,263 | 2,940 | - | 316,398 | |
| 704,456 | 3,111,453 | 497,858 | 14,376,142 | 369,617 | 19,059,526 | |
| 232,783 | 492,696 | 19,792 | 754,603 | 4,966 | 1,504,840 | |
| 306,236 | 1,281,874 | 45,062 | 8,762,182 | 100,773 | 10,496,127 | |
| (98,676) | (386,870) | (16,293) | (761,894) | (3,867) | (1,267,600) | |
| 440,343 | 1,387,700 | 48,561 | 8,754,891 | 101,872 | 10,733,367 | |
| 789,230 | 641,786 | 713,800 | 1,903,382 | 341,362 | 4,389,560 | |
| 1,229,573 | 2,029,486 | 762,361 | 10,658,273 | 443,234 | 15,122,927 | |
| \$ (525,117) | \$1,081,967 | \$(264,503) | \$ 3,717,869 | \$ (73,617) | \$ 3,936,599 | |
| NM | 34.8% | NM | 25.9% | NM | 20.7% | |

Years Ended

September 30, 2018

| | BAFB Base Supply | BAFB Base Equipment | Fort Polk SSSC | Total |
|--|------------------------|---------------------------|--------------------|--------------------|
| Sales | \$1,270,677 | \$3,361,213 | \$1,518,125 | \$6,150,015 |
| Cost of Sales: | | | | |
| Beginning inventory | 272,898 | 262,597 | 296,487 | 831,982 |
| Add: Purchase/transfer from other departments | 1,046,655 | 2,970,932 | 1,213,701 | 5,231,288 |
| Less: Ending inventory | (287,782) | (450,109) | (316,116) | (1,054,007) |
| Raw materials consumed | 1,031,771 | 2,783,420 | 1,194,072 | 5,009,263 |
| Other costs | 66,745 | 69,063 | 83,323 | 219,131 |
| Cost of sales | 1,098,516 | 2,852,483 | 1,277,395 | 5,228,394 |
| Gross profit | \$ 172,161 | \$ 508,730 | \$ 240,730 | \$ 921,621 |
| Gross profit as a percent of sales | 13.5% | 15.1% | 15.9% | 15.0% |

Louisiana Association for the Blind

Schedules of Sales and Cost of Sales - Base Service Centers

| September 30, 2017 | | | | |
|--------------------|------------------------|---------------------------|-------------------|-------------|
| | BAFB Base Supply | BAFB Base Equipment | Fort Polk SSSC | Total |
| | \$1,293,715 | \$2,363,852 | \$1,280,827 | \$4,938,394 |
| | 252,555 | 254,047 | 294,868 | 801,470 |
| | 1,073,600 | 1,986,218 | 1,086,284 | 4,146,102 |
| | (272,898) | (262,597) | (296,487) | (831,982) |
| | 1,053,257 | 1,977,668 | 1,084,665 | 4,115,590 |
| | 68,919 | 71,004 | 101,044 | 240,967 |
| | 1,122,176 | 2,048,672 | 1,185,709 | 4,356,557 |
| | \$ 171,539 | \$ 315,180 | \$ 95,118 | \$ 581,837 |
| | 13.3% | 13.3% | 7.4% | 11.8% |

Louisiana Association for the Blind

Schedules of State Contracts

Year Ended September 30, 2018

| Description of State Contract | Appropriation | Revenue Recognized | Expenditures |
|-------------------------------|---------------|--------------------|--------------|
| 2018 Appropriation | \$500,000 | \$297,969 | \$297,969 |
| Total | | \$297,969 | \$297,969 |

Year Ended September 30, 2017

| Description of State Contract | Appropriation | Revenue Recognized | Expenditures |
|-------------------------------|---------------|--------------------|--------------|
| 2017 Appropriation | \$500,000 | \$490,250 | \$490,250 |
| Total | | \$490,250 | \$490,250 |

Schedule of Compensation, Benefits and Other Payments to Agency Head

Year Ended September 30, 2017

Louisiana Revised Statute 24:513 (A) (3) requires reporting of the total compensation, reimbursements, and benefits paid to the agency head or chief executive officer. This law was further amended by Act 462 of the 2016 Regular Session of the Louisiana Legislature to clarify that nongovernmental or not-for-profit local auditees are required to report only the compensation, reimbursements, and benefits paid to the agency head or chief executive officer from public funds.

Louisiana Association for the Blind is not required to report the total compensation, reimbursements, and benefits paid to Ms. Shawn Murphy, the Association's President and Chief Executive Officer during the year ended September 30, 2018, as none of those payments were made from public funds.

Year Ended September 30, 2018

1. The independent auditor's report expressed an unqualified opinion on the financial statements of the Louisiana Association for the Blind.
2. No instances of noncompliance were reported in the independent auditor's report on compliance.
3. No material weaknesses in internal accounting control were disclosed in the independent auditor's report on internal control.
4. A separate management letter was not issued.

Louisiana Association for the Blind

Schedule of Findings and Questioned Costs

Year Ended September 30, 2018

There were no findings for the year ended September 30, 2018.

Louisiana Association for the Blind

Schedule of Prior Year Audit Findings

Year Ended September 30, 2017

There were no findings for the year ended September 30, 2017.