
THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2020

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Lighthouse for the Blind in New Orleans, Inc. d/b/a Lighthouse Louisiana
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of The Lighthouse for the Blind in New Orleans, Inc. d/b/a Lighthouse Louisiana (a non-profit organization) (the Organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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 fair presentation of 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 financial statements based on our audits. We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Organization'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 Organization'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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Lighthouse for the Blind in New Orleans, Inc. d/b/a Lighthouse Louisiana as of December 31, 2020, and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying supplemental schedule of compensation, benefits, and other payment to agency head as listed in the table of contents is presented for the purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2021, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
June 24, 2021

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.

d/b/a LIGHTHOUSE LOUISIANA

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>ASSETS</u>	
	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 367,339	\$ 213,742
Accounts receivable, net	1,675,371	2,285,202
Grants receivable	724,842	260,770
Inventory	2,432,959	1,886,705
Prepaid expenses	207,824	123,577
Investments	4,828,914	4,321,538
Property and equipment, net	10,821,679	11,280,444
Total assets	<u>\$ 21,058,928</u>	<u>\$ 20,371,978</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Liabilities		
Accounts payable	\$ 863,357	\$ 896,280
Accrued expenses	423,659	438,147
Payroll and sales tax payable	11,444	33,264
Insurance note payable	42,501	53,639
Line of credit	964,494	594,494
Notes payable	512,650	741,784
Total liabilities	<u>2,818,105</u>	<u>2,757,608</u>
Net Assets		
Without donor restrictions:		
Board designated	4,376,568	3,756,185
Undesignated	13,479,121	13,476,511
Total	17,855,689	17,232,696
With donor restrictions	<u>385,134</u>	<u>381,674</u>
Total net assets	<u>18,240,823</u>	<u>17,614,370</u>
Total liabilities and net assets	<u>\$ 21,058,928</u>	<u>\$ 20,371,978</u>

The accompanying notes are an integral part of these financial statements.

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.

d/b/a LIGHTHOUSE LOUISIANA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Support and Revenues			
Operating revenue	\$ 21,321,967	\$ -	\$ 21,321,967
Less cost of finished goods sold	13,303,814	-	13,303,814
Operating revenue, net	8,018,153		8,018,153
Grants	1,432,060	-	1,432,060
Contributions	544,357	-	544,357
Investment income, net	482,380	29,427	511,807
Royalty income	15,323	-	15,323
Rental income	12,062	-	12,062
Paycheck Protection Program income	1,263,200	-	1,263,200
Other	32,100	-	32,100
Total support and revenues	11,799,635	29,427	11,829,062
Net Assets Released From Restrictions			
Expiration of time restrictions and program restrictions satisfied through payments	25,967	(25,967)	-
Total support, revenues, and net assets released from restrictions	11,825,602	3,460	11,829,062
Expenses			
Program services	8,904,758	-	8,904,758
General and administrative	2,021,986	-	2,021,986
Fundraising	275,865	-	275,865
Total expenses	11,202,609	-	11,202,609
Change in Net Assets	622,993	3,460	626,453
Net Assets			
Beginning of year	17,232,696	381,674	17,614,370
End of year	\$ 17,855,689	\$ 385,134	\$ 18,240,823

The accompanying notes are an integral part of these financial statements.

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Support and Revenues			
Operating revenue	\$ 19,232,971	\$ -	\$ 19,232,971
Less cost of finished goods sold	<u>11,818,977</u>	<u>-</u>	<u>11,818,977</u>
Operating revenue, net	7,413,994	-	7,413,994
Grants	878,446	-	878,446
Contributions	1,007,344	-	1,007,344
Investment income, net	630,875	55,011	685,886
Royalty income	6,179	-	6,179
Rental income	13,994	-	13,994
Other	<u>25,698</u>	<u>-</u>	<u>25,698</u>
Total support and revenues	9,976,530	55,011	10,031,541
Net Assets Released From Restrictions			
Expiration of time restrictions and program restrictions satisfied through payments	<u>14,891</u>	<u>(14,891)</u>	<u>-</u>
Total support, revenues, and net assets released from restrictions	<u>9,991,421</u>	<u>40,120</u>	<u>10,031,541</u>
Expenses			
Program services	9,111,538	-	9,111,538
General and administrative	1,795,208	-	1,795,208
Fundraising	<u>349,757</u>	<u>-</u>	<u>349,757</u>
Total expenses	<u>11,256,503</u>	<u>-</u>	<u>11,256,503</u>
Change in Net Assets	(1,265,082)	40,120	(1,224,962)
Net Assets			
Beginning of year	<u>18,497,778</u>	<u>341,554</u>	<u>18,839,332</u>
End of year	<u>\$ 17,232,696</u>	<u>\$ 381,674</u>	<u>\$ 17,614,370</u>

The accompanying notes are an integral part of these financial statements.

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.

d/b/a LIGHTHOUSE LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Bad debt expense	\$ -	\$ 69,201	\$ -	\$ 69,201
Commissions	641,057	-	-	641,057
Computer, copier, and equipment services	49,152	88,466	792	138,410
Depreciation	855,797	209,882	-	1,065,679
Dues and subscriptions	3,231	12,227	8,766	24,224
Flood expense	6,700	-	-	6,700
Freight	586,453	-	-	586,453
General insurance	174,911	97,566	2,655	275,132
Insurance - employees	635,399	88,372	21,561	745,332
Interest and bank fees	2,731	159,439	673	162,843
Low vision devices for clients	33,389	-	-	33,389
Miscellaneous	17,532	41,027	16,186	74,745
Professional fees	47,770	164,717	1,687	214,174
Repairs - building	121,829	56,041	92	177,962
Repairs - equipment	72,207	-	-	72,207
Retirement plan contributions	142,142	26,432	1,079	169,653
Salaries, labor, and payroll taxes	4,819,252	830,421	202,637	5,852,310
Staff training and recruiting	23,515	16,532	206	40,253
Supplies and postage	238,282	38,746	14,937	291,965
Travel, food, and entertainment	77,322	11,210	2,558	91,090
Utilities, telephone, and trash disposal	330,356	111,707	2,036	444,099
Vehicle operation and repair	25,731	-	-	25,731
	<u>\$ 8,904,758</u>	<u>\$ 2,021,986</u>	<u>\$ 275,865</u>	<u>\$ 11,202,609</u>

The accompanying notes are an integral part of these financial statements.

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Recovery of bad debts	\$ -	\$ (30,494)	\$ -	\$ (30,494)
Commissions	526,521	254	-	526,775
Computer, copier, and equipment services	52,561	71,666	4,758	128,985
Depreciation	1,129,648	159,642	-	1,289,290
Dues and subscriptions	12,826	22,393	2,360	37,579
Flood expense	20,572	-	-	20,572
Freight	611,056	-	-	611,056
General insurance	288,945	86,674	1,262	376,881
Insurance - employees	618,846	74,857	23,949	717,652
Interest and bank fees	1,180	165,519	-	166,699
Low vision devices for clients	44,142	-	-	44,142
Miscellaneous	47,616	25,882	55,351	128,849
Professional fees	36,633	162,699	3,572	202,904
Repairs - building	89,175	43,547	250	132,972
Repairs - equipment	33,946	-	-	33,946
Retirement plan contributions	141,270	-	1,050	142,320
Salaries, labor, and payroll taxes	4,652,255	799,590	215,929	5,667,774
Staff training and recruiting	11,386	8,466	2,136	21,988
Supplies and postage	252,269	34,310	26,315	312,894
Travel, food, and entertainment	180,545	55,815	10,071	246,431
Utilities, telephone, and trash disposal	336,019	114,388	2,754	453,161
Vehicle operation and repair	24,127	-	-	24,127
	<u>\$ 9,111,538</u>	<u>\$ 1,795,208</u>	<u>\$ 349,757</u>	<u>\$ 11,256,503</u>

The accompanying notes are an integral part of these financial statements.

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.

d/b/a LIGHTHOUSE LOUISIANA

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 626,453	\$ (1,224,962)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense (recovery of bad debts)	69,201	(30,494)
Depreciation	1,065,679	1,289,290
Net realized and unrealized gains on investments	(511,807)	(533,891)
Unrealized loss (gain) on investments		
Forgiveness of debt	(50,000)	(50,000)
Changes in operating assets and liabilities		
Accounts receivable	540,630	(515,525)
Grants receivable	(464,072)	38,755
Private grants receivable	-	-
Inventory	(546,254)	703,321
Prepaid expenses	(84,247)	68,419
Accounts payable	(260,590)	73,542
Accrued expenses	(14,488)	15,123
Payroll and sales taxes payable	(21,820)	22,071
	<u>348,685</u>	<u>(144,351)</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	(379,247)	(221,536)
Proceeds from sale of investments	1,486,104	431,529
Purchases of investments	(1,481,673)	(542,737)
	<u>(374,816)</u>	<u>(332,744)</u>
Cash Flows from Financing Activities:		
Proceeds from insurance note payable	155,131	134,098
Payments of insurance note payable	(166,269)	(80,459)
Payments of note payable	(179,134)	(170,386)
Proceeds from line of credit	400,000	-
Payments on line of credit	(30,000)	(40,000)
	<u>179,728</u>	<u>(156,747)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	153,597	(633,842)
Cash and Cash Equivalents		
Beginning of year	<u>213,742</u>	<u>847,584</u>
End of year	<u>\$ 367,339</u>	<u>\$ 213,742</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 81,460</u>	<u>\$ 96,705</u>
Change in accounts payable related to construction	<u>\$ 204,476</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

The Lighthouse for the Blind in New Orleans, Inc. d/b/a Lighthouse Louisiana (the Organization) is a non-profit organization dedicated to promoting independence for people who are blind and visually impaired by providing programs that focus on economic opportunity and self-reliance. The Organization's manufacturing facilities create jobs for people who are blind. The Organization's manufactured products include custom printed and stock hot and cold cups, single-fold paper towels, pillowcases, and deck swabs. In addition to a core, modern manufacturing operation that employs people with vision impairments, the Organization offers a range of independent living, competitive employment, and health related services. The Organization is headquartered in New Orleans, Louisiana and has additional operations in Baton Rouge, Louisiana, and Gulfport, Mississippi.

Basis of Accounting and Presentation of Net Assets

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP), which require the Organization to report financial information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and those differences could be material.

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash includes amounts on deposit at financial institutions. Cash equivalents represent cash demand deposits and all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts and Grants Receivable

Accounts receivable are uncollateralized customer obligations generally due within 30 days and do not bear interest. Accounts receivable are stated at amounts due from customers, net of an allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on the Organization's historical losses, the existing economic conditions, and the financial stability of its customers. Management closely monitors outstanding accounts receivable and charges off to expense any balances that are determined to be uncollectable and establishes an allowance for estimated uncollectable accounts receivable. Receivables are written off when management deems collectability is doubtful. The allowance for doubtful accounts as of December 31, 2020 and 2019 was \$114,763 and \$51,933, respectively.

Grants receivable are stated at the amount management expects to collect from outstanding balances. Management determines the allowance for uncollectable grants receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants receivable are written off when deemed uncollectable. The Organization considers grants receivable to be fully collectable since the balance consists principally of payments due under governmental contracts; therefore, management determined no allowance was required as of December 31, 2020.

Inventory

Inventory of raw materials and the retail store inventories are valued at the lower of cost using the first-in, first-out method or net realizable value. Finished goods are valued at the weighted moving average costs developed for the individual items on the basis of current material and burden rates at the completion of production. The burden is an estimate of the direct labor on overhead cost related to a completed product.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment income is reported in the statements of activities and consists of interest and dividend income and realized and unrealized capital gains and losses, less external investment expenses.

The Organization maintains beneficial interests in assets at the Greater New Orleans Foundation (GNOF), which are included in investments on the statements of financial position. The beneficial interests are in investment pools managed by Cambridge Associates, who monitor investment returns for the beneficial interests. See Note 6 for further information on the market value of the beneficial interests.

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation. The Organization records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation is provided principally on the straight-line method, over the following estimated useful lives:

Building and improvements	10 - 50 years
Furniture and equipment	5 - 10 years
Machinery and equipment	5 - 20 years
Vehicles	5 years
Computer equipment	3 - 5 years

When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2020.

Revenue and Revenue Recognition

Revenue from product sales are recognized when control of the goods is transferred to the customer, which occurs at a point in time, upon shipment to the customer. The Organization recognizes shipping and handling fees billed to customers when control of the product is transferred. Based upon the nature of the products the Organization sells, its customers have limited rights of return which are immaterial.

Revenue from product sales is measured as the amount of consideration the Organization expects to receive in exchange for transferring goods.

Service fees primarily consist of switchboard and deaf and employment services provided to governmental and other commercial clients. Rates for these services vary depending on the type of services provided and can be based on a per job, per hour basis. Service fees are recognized when performance obligations are satisfied, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for services rendered. Specifically, if the Organization has the right to consideration from a customer in an amount that corresponds directly with the value of the Organization's performance obligation completed to date (in which the Organization bills a fixed amount for each hour of service provided), the Organization recognizes revenue in the amount to which it has a right to invoice services performed. The Organization believes that the use of this "as invoiced" practical expedient is an accurate reflection for the performance obligation completed.

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition (continued)

The Organization does not have any material significant payment terms as payment is received shortly after the point of sale or service.

Sales taxes collected from customers, where applicable, are remitted to the appropriate taxing jurisdictions and are excluded from sales revenue as the Organization considers itself a pass-through conduit for collecting and remitting sales taxes. The Organization does not have any material outstanding performance obligations, contract assets and liabilities or capitalized contract acquisition costs.

The Organization recognizes substantially all of its revenue on a gross basis as a principal. When assessing whether the Organization is acting as a principal or an agent, the Organization considers the indicators that an entity controls the specified good or service before it is transferred to the customer. The Organization believes it earns substantially all revenue as a principal from the sale of products because the Organization is responsible for the fulfillment and acceptability of products purchased. Additionally, the Organization holds the general inventory risk for the products, as it takes title to the products before the products are ordered by customers and maintains products in inventory.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give – that is, those with measureable performance or other barriers and right of return (or release) – are not recognized until the conditions on which they depend have been substantially met.

Revenues from federal and state grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. Consequently, at December 31, 2020, contributions approximating \$2,083,510 have not been recognized on the accompanying statements of activities because the conditions upon which they depend have not yet been met. As of December 31, 2020, there were no advanced payments made.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Income Taxes

The Organization is a not-for-profit corporation organized under the laws of the State of Louisiana. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax under the authority of R.S. 47: 121(5).

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The majority of expenses have been specifically identified with a program or supporting service. Certain costs have been allocated among the programs and supporting services benefited using appropriate methodologies such as time and effort.

Accounting Pronouncements Issued but Not Yet in Effect

On September 17, 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The ASU requires the new standard to be applied retrospectively, with amendments taking effect for the Organization's fiscal year ending December 31, 2022.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, to simplify the lease standard's implementation. On June 3, 2020, the FASB deferred the effective date of this standard for certain entities. This standard will be effective for the Organization's fiscal year ending December 31, 2022.

The Organization is currently assessing the impact of these pronouncements on the financial statements.

Reclassifications

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

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Availability and Liquidity

The following presents the Organization's financial assets available for general expenditures within one year at December 31:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 367,339	\$ 213,742
Accounts receivable, net	1,675,371	2,285,202
Grants receivable	724,842	260,770
Investments	4,828,914	4,321,538
Total financial assets at year-end	<u>7,596,466</u>	<u>7,081,252</u>
Less amounts not available to be used within one year		
Assets with donor restrictions	385,134	381,674
Board designated net assets without donor restrictions	<u>4,376,568</u>	<u>3,756,185</u>
	<u>4,761,702</u>	<u>4,137,859</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,834,764</u>	<u>\$ 2,943,393</u>

Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Organization's Board of Directors (the Board) designated net assets without restrictions above are subject to an annual spending rate of 5%. Although the Organization does not intend to spend above the 5% appropriated for general expenditure as part of the Board's annual budget approval and appropriation process, these amounts could be made available through Board approval, if necessary.

In addition, the Organization has a \$1,800,000 line of credit with \$835,506 available to meet cash flow needs at December 31, 2020.

3. Designated Net Assets

The Organization's Board of Directors approved the designation of certain net assets without donor restrictions solely for the purpose of expenditures attributable to the long-term preservation of the sites of The Lighthouse for the Blind in New Orleans, Inc., the maintenance and development of the existing buildings, the acquisition of equipment and real property, and to support special need programs and grants. These funds, maintained in cash and investment accounts, have a balance of \$4,376,568 and \$3,756,185 as of December 31, 2020 and 2019, respectively.

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. Restrictions on Net Assets

Net assets with donor restrictions were as follows as of December 31:

	<u>2020</u>	<u>2019</u>
Ivy Brown Fund	\$ 84,188	\$ 81,404
Music Fund	17,497	26,120
Auxiliary Fund	15,430	16,270
George G. Villere Endowment Fund	<u>268,019</u>	<u>257,880</u>
Totals	<u>\$ 385,134</u>	<u>\$ 381,674</u>

Mrs. Ivy Brown willed part of her estate to the Organization. The will stated that the bequest will be kept in trust by GNOF, a pooled investment account. The amount available to be used is restricted to a certain annual percentage.

The Bunny Cumberland Music Fund grant was received in memory of a benefactor and was restricted for use in programs promoting the learning and enjoyment of music by sight impaired persons.

The Lighthouse for the Blind in New Orleans, Inc.'s Auxiliary maintains its cash account in the Organization.

The George G. Villere Endowment Fund consists of the endowment fund and earnings thereon. See Note 10.

5. Inventory

Inventories are comprised of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Finished goods	\$ 650,008	\$ 203,842
Raw materials	1,792,421	1,695,607
Allowance for obsolete inventory	<u>(9,470)</u>	<u>(12,744)</u>
Totals	<u>\$ 2,432,959</u>	<u>\$ 1,886,705</u>

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. Fair Value of Financial Instruments

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets that the Organization can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3: Unobservable inputs for the asset. In these situations, the Organization develops inputs using the best information available in the circumstances.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Equities, exchange traded funds, and mutual funds: Valued at the closing price reported on the active market on which the individual securities or commodities are traded.

Corporate bonds and U.S. government and agency securities: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields available on comparable securities of issuers with similar credit ratings.

Beneficial interest in assets held by others (pooled assets): Valued based on the fair value of fund investments as reported by GNOF.

Hedge funds: Valued using NAV (or its equivalent) as a practical expedient and, therefore, not categorized in the fair value hierarchy in accordance with Accounting Standards Codification Subtopic 820-10. As of December 31, 2020 and 2019, there are no unfunded commitments related to this investment.

Other real estate: The Organization has reported its investment in certain real estate holdings as Level 3 fair value assets. These assets are valued at their fair value at the date of donation or historical cost, if purchased, which approximates their estimated appraised values.

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. Fair Value of Financial Instruments (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the Organization 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.

The following table sets forth by level within the fair value hierarchy the Organization's investment assets at fair value as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 1,797,731	\$ -	\$ -	1,797,731
Corporate bonds	-	196,412	-	196,412
U.S. government and agency securities	-	334,285	-	334,285
Exchange traded funds	857,261	-	-	857,261
Pooled assets	-	-	352,205	352,205
Mutual funds	669,762	-	-	669,762
Other real estate	-	-	62,961	62,961
	<u>\$ 3,324,754</u>	<u>\$ 530,697</u>	<u>\$ 415,166</u>	4,270,617
Hedge funds				342,451
Cash, at cost				<u>215,846</u>
Total investments				<u>\$ 4,828,914</u>

The following table sets forth by level within the fair value hierarchy the Organization's investment assets at fair value as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 1,719,979	\$ -	\$ -	\$ 1,719,979
Corporate bonds	-	151,626	-	151,626
U.S. government and agency securities	-	256,506	-	256,506
Exchange traded funds	736,482	-	-	736,482
Pooled assets	-	-	339,284	339,284
Mutual funds	537,145	-	-	537,145
Other real estate	-	-	62,961	62,961
	<u>\$ 2,993,606</u>	<u>\$ 408,132</u>	<u>\$ 402,245</u>	3,803,983
Hedge funds				367,498
Cash, at cost				<u>150,057</u>
Total investments				<u>\$ 4,321,538</u>

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. Fair Value of Financial Instruments (continued)

As of December 31, 2020 and 2019, there were no assets measured at fair value on a nonrecurring basis.

7. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 639,948	\$ 639,948
Construction in progress	636,370	69,626
Buildings and improvements	10,782,954	10,788,154
Machinery and equipment	12,388,451	12,343,081
Computer equipment	605,882	605,882
Furniture and equipment	321,261	321,261
Vehicles	<u>216,430</u>	<u>216,430</u>
	25,591,296	24,984,382
Less accumulated depreciation	<u>(14,769,617)</u>	<u>(13,703,938)</u>
Property and equipment, net	<u>\$ 10,821,679</u>	<u>\$ 11,280,444</u>

8. Line of Credit

The Organization entered into an unsecured line of credit with a local bank with a borrowing limit of \$1,800,000. The line of credit is renewed annually. The last renewal closed on November 3, 2020, and matures on November 3, 2021. The interest rate is the Wall Street Journal Prime borrowing rate which was 4.00% and 4.75% as of December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the balance outstanding under the line of credit was \$964,494 and \$594,494, respectively.

9. Notes Payable

The Organization has a \$1,236,300 note payable to a local financial institution secured by a cup machine. The note dated November 18, 2016 matures on November 11, 2023. The note is payable in equal monthly installments of \$17,514, including interest at 5.00%. The balance of the note as of December 31, 2020 and 2019 was \$512,650 and \$691,784, respectively.

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

NOTES TO FINANCIAL STATEMENTS

9. Notes Payable (continued)

The Organization also had a second note payable to the City of Baton Rouge/Parish of East Baton Rouge in the amount of \$500,000. The note, dated April 14, 2011, had an interest rate equal to the Municipal Swap Index rate determined each Wednesday plus one hundred basis points per annum. The note was subject to forgiveness based on the terms and conditions contained in the Cooperative Endeavor Agreement entered into between the Organization and the City of Baton Rouge/Parish of East Baton Rouge. For each year in which the Organization satisfied its obligations under the Cooperative Endeavor Agreement, a performance credit of \$50,000 plus applicable interest was applied on the corresponding installment date of December 31st. The note was secured with land and buildings of the Organization. The balance of the note as of December 31, 2019 was \$50,000, and was fully forgiven in 2020. The forgiveness of the debt and interest is recorded as grant revenue on the statements of activities.

Due to the Organization failing to meet certain compliance terms of the Cooperative Endeavor Agreement, the Organization was required to reimburse to the City of Baton Rouge/Parish of East Baton Rouge approximately \$24,000 and \$16,000 for the years ended December 31, 2020 and 2019, respectively.

The future minimum payments on notes payable are summarized as follows:

<u>Year Ending December 31,</u>	
2021	\$ 188,647
2022	198,435
2023	<u>125,568</u>
Total	<u>\$ 512,650</u>

10. George G. Villere Endowment

The Board of Directors of the Organization is of the belief that they have a strong fiduciary duty to manage the assets of the Organization's George G. Villere Endowment (the endowment) in the most prudent manner possible. The Board recognizes the intent of the endowment is to protect the donor with respect to expenditures from the endowment. If this intent is clearly expressed by the donor, whether the intent is in a written gift instrument or not, the intent of the donor is followed. Earnings, including appreciation, that are not required by the donor to be reinvested in corpus are maintained in net assets with restrictions until released.

The Endowments. The Organization's George G. Villere Endowment consists of one fund established in 2017 for support of operations or direct services for people who have visual and other disabilities. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. George G. Villere Endowment (continued)

Interpretation of Relevant Law. The Board of Directors has interpreted the Uniform Prudent Management Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted George G. Villere Endowment, unless there are explicit donor stipulations to the contrary. At December 31, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the George G. Villere Endowment and (b) any accumulations to the George G. Villere Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the fund;
- the purposes of the Organization and the donor-restricted endowment fund;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation of investments;
- other resources of the Organization; and
- the investment policies of the Organization.

Changes in net assets of the George G. Villere Endowment for the year ended December 31, 2020 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment funds, beginning of year	\$ -	\$ 257,880	\$ 257,880
Investment return, net	-	18,975	18,975
Amounts appropriated for expenditure	-	(8,836)	(8,836)
Donor-restricted endowment funds, end of year	<u>\$ -</u>	<u>\$ 268,019</u>	<u>\$ 268,019</u>

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. George G. Villere Endowment (continued)

Changes in net assets of the George G. Villere Endowment for the year ended December 31, 2019 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment funds, beginning of year	\$ -	\$ 229,356	\$ 229,356
Investment return, net		36,845	36,845
Amounts appropriated for expenditure	<u>-</u>	<u>(8,321)</u>	<u>(8,321)</u>
Donor-restricted endowment funds, end of year	<u>\$ -</u>	<u>\$ 257,880</u>	<u>\$ 257,880</u>

The original donor-restricted gift amount of \$225,000 is required by donor to be maintained in perpetuity.

Funds with Deficiencies. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that either the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations that occur after the investment of contributions with donor restrictions. There were no such deficiencies in net assets with donor restrictions as of December 31, 2020 and 2019.

Return Objectives and Risk Parameters. Assets in the George G. Villere Endowment include donor restricted funds that are held by GNOF. The endowment attempts to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of these endowment assets over the long-term.

Strategies Employed for Achieving Objectives. Assets in the George G. Villere Endowment are invested in pooled investments that consist of a well-diversified asset mix, which includes equity securities, fixed income securities and alternative investments that are intended to meet this objective. GNOF has established a 5% rate of return objective for the portfolio. Actual returns in any given year may vary from this amount. Investment assets and the allocation among asset classes and strategies are managed to not expose the endowment asset to unacceptable levels of risk.

Spending Policy and How Investment Objectives Relate to the Spending Policy. The current spending policy makes available on an annual basis 4% of the 12-quarter rolling average market value of the funds. The cutoff for the calculation is September 30th of each year to enable GNOF staff to perform the calculations for the upcoming year. All new endowment funds must be invested for four full quarters prior to December 31 of each year in order for any appropriation to be made.

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

NOTES TO FINANCIAL STATEMENTS

11. Lease Commitment

The Organization leases land used as a parking lot from the City of New Orleans under a lease agreement which expires in 2030 with payments of \$4,800 per year. This lease is automatically extended for two additional terms of 15 years each unless the lessee gives notice of its intent not to renew at least 30 days prior to the expiration of the current lease. Lease expense for both years ended December 31, 2020 and 2019 was \$4,800.

Future lease commitments are as follows:

Year Ending December 31,	Amount
2021	\$ 4,800
2022	4,800
2023	4,800
2024	4,800
2025	4,800
Thereafter	22,800
Total	\$ 46,800

12. Major Customers and Suppliers

The Organization has a concentration of credit risk as a result of sales to the top six major customers. Approximate sales to these customers as a percentage of total operating revenue for the years ended December 31 are as follows:

	2020	2019
Sales	\$ 13,626,433	\$ 12,466,395
Percentage of operating revenue	<u>64%</u>	<u>65%</u>

Approximate accounts receivable balances as a percentage of total accounts receivable for the Organization's six major customers as of December 31 are as follows:

	2020	2019
Accounts receivable	\$ 954,048	\$ 1,480,976
Percentage of total accounts receivable, net	<u>57%</u>	<u>65%</u>

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

NOTES TO FINANCIAL STATEMENTS

12. Major Customers and Suppliers (continued)

The Organization has a concentration of credit risk as a result of purchasing from the top three major suppliers. Approximate purchases from these suppliers as a percentage of total cost of finished goods sold for the years ended December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Purchases	<u>\$ 9,689,930</u>	<u>\$ 8,334,227</u>
Percentage of cost of finished goods sold	<u>73%</u>	<u>71%</u>

13. Employee Benefit Plan

The Organization sponsors a profit-sharing 403(b) plan, which covers substantially all employees. The plan allows the Organization to make discretionary contributions by matching a percentage of employee contributions limited by Federal tax law. Total employer matching expense for the years ended December 31, 2020 and 2019 was \$169,653 and \$142,072, respectively.

14. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

15. Risk and Uncertainties

In general, investment securities are exposed to various risks, such as interest rate, credit, and market volatility. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in risk in the near term would materially affect the fair market value of investments held by the Organization.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on its investments, customers, employees, and vendors, all of which are uncertain and cannot be predicted or reasonably estimated at this time.

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

NOTES TO FINANCIAL STATEMENTS

16. Paycheck Protection Program

During the year ended December 31, 2020, the Organization applied for and was approved for a \$1,263,200 loan under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA) as part of the relief efforts related to COVID-19. The Organization is eligible for forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized. The Organization recognized the loan as an unconditional contribution, which is recorded in the statement of activities for the year ended December 31, 2020, having met the conditions for forgiveness by incurring eligible expenditures. The Organization was notified in May 2021 by the SBA that the loan was forgiven.

17. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 24, 2021, and determined that there were no other events that required additional disclosure other than the full forgiveness of the Organization's PPP loan as described in Note 16. No events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTAL SCHEDULE

LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

SUPPLEMENTAL SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
YEAR ENDED DECEMBER 31, 2020

Agency Head: Renee Vidrine, President

Purpose	Amount
Salary	\$ 238,942
Benefits - insurance	12,193
Benefits - retirement	19,213
Reimbursements	51
Travel	718
Registration fees	873
Conference travel	2,149
	<hr/>
	\$ 274,139
	<hr/> <hr/>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
The Lighthouse for the Blind in New Orleans, Inc. d/b/a Lighthouse Louisiana
New Orleans, Louisiana

We have audited, in accordance with the 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, the financial statements of The Lighthouse for the Blind in New Orleans, Inc. d/b/a Lighthouse Louisiana (a non-profit organization) (the Organization) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-01 that we consider to be a deficiency that does not rise to the level of a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Metairie, Louisiana
June 24, 2021

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2020

Section I - Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No

- Significant deficiency(ies) identified that are not considered to be a material weakness? ___ Yes X None reported

Noncompliance material to consolidated financial statements noted? ___ Yes X No

b) Federal Awards

The Organization did not receive federal awards in excess of \$750,000 during the year ended December 31, 2020 and, therefore, is exempt from the audit requirements under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Section II – Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards Requirements:

Finding 2020-01: Cost-Reimbursable Grant Accounting

Criteria: The Organization should have a system of internal controls to ensure that cost-reimbursable grants are recognized in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Condition: Adjustments were identified during the course of the audit relating to the completeness of fixed assets, accounts payable, and revenue.

Context/Cause: The Organization did not properly follow revenue recognition standards under U.S. GAAP to record cost-reimbursable grant activity related to its capital outlay grant upon the incurrence of allowable qualifying expenses. The Organization's internal accounting policies manual does not contain guidance on revenue recognition of such grants.

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2020

Effect: Audit adjustments were identified which impacted fixed assets, accounts payable, and grants revenue balances.

Recommendation: We recommend that the Organization review and update its accounting policy manual to include all aspects of revenue recognition to ensure cost-reimbursable grant activity is recognized in the appropriate period.

Management's Response:

Management will update the organization's internal accounting policy manual to add a review for revenue recognition for cost-reimbursable grants.

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2020

Finding 2019-01: Accounting Policies and Procedures Manual and Account Reconciliations

Criteria: The Organization should prepare reconciliations of material accounts on a timely basis and the reconciliations should be reviewed by appropriate management-level personnel. The Organization should have a comprehensive up-to-date manual of accounting policies and procedures to ensure that proper accounting principles are being applied, that similar transactions are treated consistently, and that financial reports are produced in the form desired by management.

Condition: During our audit, we noted that grants receivable and the allowance for doubtful accounts were not reconciled timely to the general ledger. The Organization does not appear to have a comprehensive up-to-date manual of accounting policies and procedures and existing policies and procedures do not appear to be consistently followed.

Context/Cause: The Organization has had recent turnover of personnel in the accounting department. The Organization improved in following existing policies and procedures; however, certain account reconciliations were not timely prepared and reviewed.

Effect: The lack of an up-to-date manual of accounting policies and procedures and inconsistent following of existing policies can result in adjustments to the Organization's financial statements after its financial statement close process. While the number of adjusting journal entries was reduced, the Organization recorded adjustments significantly after year-end to ensure the financial statements were presented in accordance with U.S. generally accepted accounting principles.

Recommendation: We recommend that the Organization develop a comprehensive accounting policies and procedures manual and ensure all policies are consistently followed. A well-written accounting manual will aid in the training of new employees and assist management in delegating and segregating duties. We also recommend that appropriate management-level personnel review of accounting transactions and reconciliations for accuracy and document evidence of their review for audit purposes.

Status: Resolved