

**LAVELLE FUND FOR THE BLIND, INC.**

**Financial Statements  
for the year ended  
December 31, 2020  
(Modified Cash Basis)**

**Independent Auditor's Report**

To the Board of Directors of  
Lavelle Fund for the Blind, Inc.

We have audited the accompanying financial statements of Lavelle Fund for the Blind, Inc. which comprise the statement of assets and net assets (modified cash basis) as of December 31, 2020 and December 31, 2019 and the related statements of revenue and expenses (modified cash basis), cash flows (modified cash basis) and functional expenses (modified cash basis) 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 the modified cash basis of accounting described in note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's 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. Those standards require that we plan and perform the audits 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, 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 (modified cash basis) referred to in the first paragraph on the previous page present fairly, in all material respects, the financial position of Lavelle Fund for the Blind, Inc. as of December 31, 2020 and December 31, 2019 and the results of its activities and its cash flows for the years then ended in accordance with the basis of accounting as described in note 2.

***Basis of Accounting***

We draw attention to note 2 of the financial statements which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Condou O'Meara McBinty & Donnelly LLP*

**LAVELLE FUND FOR THE BLIND, INC.**

**Statement of Assets and Net Assets  
(Modified Cash Basis)**

Assets		December 31	
		2020	2019
Cash		\$ 138,234	\$ 108,064
Program-related investment		240,000	38,301
Investments, at fair value		144,981,888	132,453,152
<b>Total assets</b>		<b>\$ 145,360,122</b>	<b>\$ 132,599,517</b>
Net Assets			
Net assets		<b>\$ 145,360,122</b>	<b>\$ 132,599,517</b>

See notes to financial statements.

**LAVELLE FUND FOR THE BLIND, INC.**

**Statement of Revenue and Expenses  
(Modified Cash Basis)**

	<b>Year Ended December 31</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>Revenue</b>		
Net investment return	\$ 18,868,735	\$ 26,756,543
Other	<u>3,052</u>	<u>1,900</u>
Total revenue	<u>18,871,787</u>	<u>26,758,443</u>
<b>Expenses</b>		
Grants and programs	5,686,360	5,914,514
General and administrative	246,317	266,761
Indirect investment expenses and taxes	<u>178,505</u>	<u>161,075</u>
Total expenses	<u>6,111,182</u>	<u>6,342,350</u>
<b>Increase in net assets</b>	<b>12,760,605</b>	<b>20,416,093</b>
<b>Net assets, beginning of year</b>	<b><u>132,599,517</u></b>	<b><u>112,183,424</u></b>
<b>Net assets, end of year</b>	<b><u>\$ 145,360,122</u></b>	<b><u>\$ 132,599,517</u></b>

See notes to financial statements.

**LAVELLE FUND FOR THE BLIND, INC.**

**Statement of Cash Flows  
(Modified Cash Basis)**

	<b>Year Ended</b>	
	<b>December 31</b>	
	<u><b>2020</b></u>	<u><b>2019</b></u>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 12,760,605	\$ 20,416,093
Adjustments to reconcile increase in net assets to net cash (used in) operating activities		
Realized (gains) on sales of investments	(3,316,667)	(5,423,327)
Change in unrealized value of investments	(14,108,904)	(19,191,147)
(Increase) decrease in program-related investments	<u>(201,699)</u>	<u>50,623</u>
Net cash (used in) operating activities	<u>(4,866,665)</u>	<u>(4,147,758)</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(18,181,748)	(16,307,220)
Proceeds from sales of investments	<u>23,078,583</u>	<u>20,465,156</u>
Net cash provided by investing activities	<u>4,896,835</u>	<u>4,157,936</u>
<b>Net increase in cash</b>	<b>30,170</b>	<b>10,178</b>
<b>Cash, beginning of year</b>	<u><b>108,064</b></u>	<u><b>97,886</b></u>
<b>Cash, end of year</b>	<u><b>\$ 138,234</b></u>	<u><b>\$ 108,064</b></u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for federal excise taxes	<u>\$ 80,582</u>	<u>\$ 55,000</u>

See notes to financial statements.

## LAVELLE FUND FOR THE BLIND, INC.

**Statement of Functional Expenses**  
**(Modified Cash Basis)**  
**For the Year Ended December 31, 2020**

	<u>Supporting Activities</u>			<u>Total</u>
	<u>Grants and Programs</u>	<u>General and Administrative</u>	<u>Indirect Investment Expenses And Taxes</u>	
Grants paid (net of rescissions)	\$ 4,976,728	\$ -	\$ -	\$ 4,976,728
Other expenses				
Salaries	424,102	135,734	53,339	613,175
Employee benefits	81,280	34,080	12,456	127,816
Payroll taxes	28,188	9,837	3,828	41,853
Rent	105,695	12,435	6,217	124,347
Business insurance	-	2,325	-	2,325
Computer and technology expenses	18,233	2,145	1,073	21,451
Dues and subscriptions	13,423	1,491	-	14,914
Travel, conference and meetings	624	11,851	-	12,475
International travel (Guatemala and Mexico)	5,156	-	-	5,156
Professional development	-	502	-	502
Office equipment, furniture and enhancements	6,805	1,201	-	8,006
Office supplies	2,916	343	172	3,431
Postage and delivery	306	54	-	360
Professional fees:				
Accounting, audit and tax	5,017	11,897	20,703	37,617
Legal	9,591	196	-	9,787
Website services	1,900	100	-	2,000
Other	-	18,515	-	18,515
Telephone	2,315	272	135	2,722
Taxes and filing fees	-	500	-	500
Other	4,081	2,839	-	6,920
Total other expenses	<u>709,632</u>	<u>246,317</u>	<u>97,923</u>	<u>1,053,872</u>
Excise tax	-	-	80,582	80,582
<b>Total</b>	<b><u>\$ 5,686,360</u></b>	<b><u>\$ 246,317</u></b>	<b><u>\$ 178,505</u></b>	<b><u>\$ 6,111,182</u></b>

See notes to financial statements.

## LAVELLE FUND FOR THE BLIND, INC.

**Statement of Functional Expenses**  
**(Modified Cash Basis)**  
**For the Year Ended December 31, 2019**

	<u>Supporting Activities</u>			<u>Total</u>
	<u>Grants and Programs</u>	<u>General and Administrative</u>	<u>Indirect Investment Expenses And Taxes</u>	
Grants paid (net of rescissions)	\$ 5,227,548	\$ -	\$ -	\$ 5,227,548
Other expenses				
Salaries	390,459	152,085	58,143	600,687
Employee benefits	69,912	44,200	14,397	128,509
Payroll taxes	22,261	10,481	3,970	36,712
Rent	103,105	12,130	6,065	121,300
Business insurance	-	10,922	-	10,922
Computer and technology expenses	23,832	2,804	1,402	28,038
Dues and subscriptions	13,878	1,542	-	15,420
Travel, conferences and meetings	19,362	1,076	1,076	21,514
International travel (South Asia)	15,237	-	-	15,237
Professional development	-	627	-	627
Office equipment, furniture and enhancements	8,478	1,496	-	9,974
Office supplies	2,696	317	159	3,172
Postage and delivery	693	122	-	815
Professional fees:				
Accounting, audit and tax	-	11,183	20,768	31,951
Legal	-	1,891	-	1,891
Website services (redesign of universal and intuitive access)	1,425	75	-	1,500
Other	8,365	5,964	-	14,329
Telephone	1,525	286	95	1,906
Taxes and filing fees	-	6,745	-	6,745
Other	5,738	2,815	-	8,553
Total other expenses	686,966	266,761	106,075	1,059,802
Excise tax	-	-	55,000	55,000
<b>Total</b>	<b>\$ 5,914,514</b>	<b>\$ 266,761</b>	<b>\$ 161,075</b>	<b>\$ 6,342,350</b>

See notes to financial statements.



**LAVELLE FUND FOR THE BLIND, INC.****Notes to Financial Statements  
December 31, 2020  
(Modified Cash Basis)****Note 1 – Nature of organization**

The Lavelle Fund for the Blind, Inc. (the “Fund”) is a charitable grant-making foundation dedicated primarily to supporting programs that assist New York State and New York City area residents who are blind or visually-impaired live independent and productive lives. While priority is generally given to programs in the greater New York metropolitan area, the Fund also considers grant requests geared to preventing, treating, and, where possible, reversing blindness and vision loss globally.

The Fund was a beneficiary and successor of the Lavelle School of the Blind (the “School”), which was founded in 1904 and incorporated in 1909. In 1947, the School became a state-funded and-chartered 4201 school dedicated to serving children with multiple disabilities, including visual impairment. In 1999, the assets used to operate the School were transferred to a separate corporation, called the Lavelle School for the Blind. Nearly all of the Lavelle School’s endowment was retained by the original corporation, which was renamed the Lavelle Fund for the Blind, Inc. and rededicated to benefit the larger community of people who are blind or visually impaired.

**Note 2 – Summary of significant accounting policies****Basis of accounting**

The Fund’s policy is to prepare its financial statements on the basis of cash receipts and cash disbursements modified to record investments at fair value and program-related investments. Accordingly, certain revenue and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

**Net assets**

The Fund’s net assets are without donor restrictions and its resources are available to support operations.

**Cash equivalents**

The Fund considers highly liquid investments with original maturities of 90 days or less to be cash equivalents other than the short-term investments included in the investment portfolio.

**Investments**

Investments are recorded at fair value. The fair values of the short-term investments, mutual funds, equities and fixed income are based on publicly quoted prices. The cost of these investments when sold is determined using the specific identification method.

**LAVELLE FUND FOR THE BLIND, INC.****Notes to Financial Statements (continued)  
December 31, 2020  
(Modified Cash Basis)****Note 2 – Summary of significant accounting policies (continued)**Fair value measurements

The fair value hierarchy prioritizes inputs used to measure fair value into three broad levels. Level 1 inputs are defined as quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date. As of December 31, 2020 and December 31, 2019, all of the Fund's investments are deemed to be Level 1 assets.

Concentrations of credit risk

The Fund's financial instruments that are potentially exposed to concentrations of credit risk consist of cash and investments. The Fund places its cash with what it believes to be quality financial institutions. The Fund has not experienced any losses in such accounts to date. The Fund's investments are exposed to various risks such as interest rate, market volatility, liquidity and credit. Due to the level of uncertainty related to the foregoing risks, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of assets and net assets at December 31, 2020. The Fund routinely assesses the financial strength of its cash and investment portfolio. As a consequence, the Fund believes no significant concentrations of credit risk exist with respect to its cash and investments.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Risks and uncertainties

On March 13, 2020, a national emergency was declared due to the extraordinary circumstances resulting from the coronavirus. Management believes that the coronavirus may have an impact on its financial condition, results of operations and outlook for year ending December 31, 2021. The extent to which the coronavirus may impact business activity and the Fund's operations will depend on future developments, which are uncertain and cannot be predicted.

Subsequent events

The Fund has evaluated events and transactions for potential recognition or disclosure through April 14, 2021, which is the date the financial statements were available to be issued.

**LAVELLE FUND FOR THE BLIND, INC.**

**Notes to Financial Statements (continued)**  
**December 31, 2020**  
**(Modified Cash Basis)**

**Note 3 – Functional expenses**

Certain categories of expenses that are attributable to more than one program or supporting function are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits, which are allocated based on estimates of time and effort; rent and utilities are based on the compensation allocation; professional services are based on type of services rendered. All other expenses are considered routine operating expenses.

**Note 4 – Grant commitments**

Grant commitments at December 31, 2020 amounted to \$11,947,575. Included in the future grant commitments is the Brother Kearney Scholarship program, which has a current maximum commitment of \$7,901,955. Actual annual payout is a function of the numbers of eligible students recruited by partner colleges and the extent of each student's last-dollar scholarship need. Historically, the Fund has paid out approximately 30% of its theoretical, maximum commitment, per year to the scholarship program. The commitment to the Brother Kearney Scholarship program ends in 2027.

Payments are scheduled for future years as follows:

<u>Year</u>	<u>Grants</u>	<u>Scholarships</u>	<u>Total</u>
2021	\$ 2,593,505	\$ 1,180,195	\$ 3,773,700
2022	1,239,779	970,196	2,209,975
2023	212,336	1,510,391	1,722,727
2024 and thereafter	-	4,241,173	4,241,173
Total	<u>\$ 4,045,620</u>	<u>\$ 7,901,955</u>	<u>\$ 11,947,575</u>

**Note 5 – Grants and scholarships expense**

Total grants and scholarships paid in the years ended December 31, 2020 and December 31, 2019 for the Fund's top four program areas amounted to \$4,725,066 and \$4,996,222, respectively.

<u>Primary Program Focus</u>	<u>2020</u>	<u>2019</u>
Medical eye care	\$ 1,251,762	\$ 1,729,559
Vision rehabilitation	1,457,197	1,948,399
Education (other than scholarships)	1,666,337	982,382
Education: Brother Kearney Scholarship program	349,770	335,882
Other	251,662	231,326
Total	<u>\$ 4,976,728</u>	<u>\$ 5,227,548</u>

## LAVELLE FUND FOR THE BLIND, INC.

**Notes to Financial Statements (continued)**  
**December 31, 2020**  
**(Modified Cash Basis)**

**Note 5 – Grants and scholarships expense (continued)**

Grants and scholarships paid in 2020 and 2019 by geography served were as follows:

Geography served: Grants and Scholarships	<u>2020</u>	<u>2019</u>
Domestic	\$ 3,389,254	\$ 3,532,114
International	<u>1,587,474</u>	<u>1,695,434</u>
Total	<u>\$ 4,976,728</u>	<u>\$ 5,227,548</u>

**Note 6 – Investments, at fair value**

As of December 31, 2020 and December 31, 2019, the investments consist of the following:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Short-term investments	\$ 28,752,619	\$ 28,754,823	\$ 22,300,461	\$ 22,299,251
Mutual funds – index funds	28,571,022	43,487,645	38,503,486	52,037,531
Equities				
U.S.	27,041,728	49,881,895	24,466,905	35,656,634
International	17,465,106	18,669,517	17,681,603	17,900,550
Fixed income	<u>4,076,329</u>	<u>4,188,008</u>	<u>4,534,517</u>	<u>4,559,186</u>
Total	<u>\$ 105,906,804</u>	<u>\$ 144,981,888</u>	<u>\$ 107,486,972</u>	<u>\$ 132,453,152</u>

Investment return for the years ended December 31, 2020 and December 31, 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 1,766,370	\$ 2,461,166
Realized gains	3,316,667	5,423,327
Change in unrealized value of investments	14,108,904	19,191,147
Investment management fees	(313,476)	(310,467)
Foreign taxes	<u>(9,730)</u>	<u>(8,630)</u>
Net investment return	<u>\$ 18,868,735</u>	<u>\$ 26,756,543</u>

**LAVELLE FUND FOR THE BLIND, INC.**

**Notes to Financial Statements (continued)**  
**December 31, 2020**  
**(Modified Cash Basis)**

**Note 7 – Lease agreement**

Commencing July 1, 2016, the Fund entered into a lease for office space which expires July 31, 2026. The monthly rent payments were initially \$8,700 and are subject to a 3% increase annually. Rent expense totaled \$115,221 for the year ended December 31, 2020 and \$111,866 for the year ended December 31, 2019.

The following is a summary of the required minimum annual lease payments:

<u>Year</u>	<u>Amount</u>
2021	\$ 118,972
2022	122,541
2023	126,217
2024	130,004
2025	133,904
2026	<u>79,461</u>
Total	<u>\$ 711,099</u>

**Note 8 – Retirement plans**

The Fund has a Safe Harbor 401(k) profit sharing plan (the “Plan”). Under the provisions of the Plan, all eligible employees will receive up to a 4% safe harbor match of salary. The Fund will also make an 8% discretionary employer contribution of salary for all eligible employees. The total expense for the years ended December 31, 2020 and December 31, 2019 totaled \$49,166 and \$60,358, respectively.

**Note 9 – Program-related investment**

In 2015, the Fund approved a concessionary, program-related-investment (“PRI”) loan to the Central Association for the Blind and Visually Impaired (CABVI) in Utica, NY for a warehouse construction project. This expanded warehouse capacity will lay the groundwork for CABVI providing competitive paying jobs, with benefits, to approximately 15 working-age persons who are blind. The loan was in the amount of \$250,000. The loan required equal quarterly installments of principal and simple interest at a fixed rate of 1% calculated on the unpaid balance of the loan for a period of five years. The loan was secured by a second mortgage on certain property owned by CABVI. The balance on the loan was paid in full during 2020.

In 2020, the Fund’s Board approved a \$240,000 program-related investment loan to the Lavelle School for the Blind. The loan bears an annualized 1% interest rate with all principal and interest outstanding due by March 1, 2021, and with proceeds being used toward any of the School’s general corporate purposes or operating expenses. At the Fund’s January 27, 2021 Board meeting, the Fund’s Board voted to amend the payment schedule of the Promissory Note, extending the payment due date to December 15, 2021.

**LAVELLE FUND FOR THE BLIND, INC.**

**Notes to Financial Statements (continued)**  
**December 31, 2020**  
**(Modified Cash Basis)**

**Note 10 – Liquidity and availability of financial assets**

The Fund's financial assets available within one year of December 31, 2020 and December 31, 2019 for grant payments and general expenditures are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 138,234	\$ 108,064
Program-related investment	240,000	38,301
Other investments appropriate for current use	<u>144,981,888</u>	<u>132,453,152</u>
Total	<u>\$ 145,360,122</u>	<u>\$ 132,599,517</u>

As part of the Fund's liquidity management, the Fund: (1) has structured its financial assets to be invested in highly liquid investments – that are without lockup provisions – to meet its general expenditures and other obligations as they come due, (2) maintains cash and short-term investments on hand to meet a minimum of one year and up to three years of normal operating expenses, and (3) invests cash in excess of daily requirements in various short-term investments, including money market funds, mutual funds, equities and bonds.

**Note 11 – Tax status**

The Fund is exempt from Federal income tax under Section 501(c)(3) and is classified as a private foundation under Section 509(a) of the Internal Revenue Code.

The Fund is required to pay a Federal excise tax on net investment income (interest, dividends and realized capital gains less direct investment expenses and allocated administrative expenses) at a 1.39% tax rate. In 2019, the Fund's tax rate was 2%. If qualifying distributions (grants and qualifying administrative expenses) exceeded a certain threshold, the tax rate could have been reduced to 1%.

The Fund's federal excise tax for 2020 is \$64,843. The Fund's 2020 estimated excise tax payments totaled \$70,000. There was an additional payment of \$10,582 in 2020 towards the balance due for 2019 and the Fund has a credit-elect to 2021 of \$5,157.