

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

**Financial Statements  
for the year ended  
December 31, 2021  
(Modified Cash Basis)**

## **Independent Auditor's Report**

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

### ***Opinion***

We have audited the accompanying financial statements of Lavelle Fund for the Blind, Inc. (the "Fund"), which comprise the statement of assets and net assets (modified cash basis) as of December 31, 2021 and December 31, 2020, and the related statements of revenue and expenses (modified cash basis), cash flows (modified cash basis) and functional expenses (cash basis) for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets (modified cash basis) of the Fund as of December 31, 2021 and December 31, 2020, and the result of its revenue and expenses (modified cash basis) and cash flows (modified cash basis) for the years then ended in accordance with the modified cash basis of accounting as described in note 2.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Basis of Accounting***

We draw your 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 this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting as described in note 2 and for 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 Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Carrie O'Leary Sub City & Donnelly LLP*

April 12, 2022

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

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

**Assets**

		<b>December 31</b>	
		<b>2021</b>	<b>2020</b>
Cash		\$ 239,545	\$ 138,234
Program-related investment		332,000	240,000
Investments, at fair value		<u>162,678,455</u>	<u>144,981,888</u>
<b>Total assets</b>		<b><u>\$ 163,250,000</u></b>	<b><u>\$ 145,360,122</u></b>

**Net Assets**

<b>Net assets</b>		<b><u>\$ 163,250,000</u></b>	<b><u>\$ 145,360,122</u></b>
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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>2021</b>	<b>2020</b>
<b>Revenue</b>		
Net investment return	\$ 25,526,634	\$ 18,868,735
Other	<u>1,003</u>	<u>3,052</u>
Total revenue	<u>25,527,637</u>	<u>18,871,787</u>
<b>Expenses</b>		
Grants and programs	6,622,865	5,686,360
General and administrative	266,590	246,317
Indirect investment expenses and taxes	<u>748,304</u>	<u>178,505</u>
Total expenses	<u>7,637,759</u>	<u>6,111,182</u>
Increase in net assets	<b>17,889,878</b>	<b>12,760,605</b>
Net assets, beginning of year	<u>145,360,122</u>	<u>132,599,517</u>
Net assets, end of year	<u><b>\$ 163,250,000</b></u>	<u><b>\$ 145,360,122</b></u>

See notes to financial statements.

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

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

	<b>Year Ended December 31</b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 17,889,878	\$ 12,760,605
Adjustments to reconcile increase in net assets to net cash (used in) operating activities		
Realized (gains) on sales of investments	(50,666,892)	(3,316,667)
Change in unrealized value of investments	27,404,520	(14,108,904)
(Increase) in program-related investments	(92,000)	(201,699)
Net cash (used in) operating activities	<u>(5,464,494)</u>	<u>(4,866,665)</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(128,627,077)	(18,181,748)
Proceeds from sales of investments	<u>134,192,882</u>	<u>23,078,583</u>
Net cash provided by investing activities	<u>5,565,805</u>	<u>4,896,835</u>
<b>Net increase in cash</b>	<b>101,311</b>	<b>30,170</b>
<b>Cash, beginning of year</b>	<b><u>138,234</u></b>	<b><u>108,064</u></b>
<b>Cash, end of year</b>	<b><u>\$ 239,545</u></b>	<b><u>\$ 138,234</u></b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for federal excise taxes	<u>\$ 660,000</u>	<u>\$ 80,582</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, 2021**  
**(with Summarized Comparative Information**  
**For the Year Ended December 31, 2020)**

	<b>2021</b>			<b>2020</b>	
	<b>Supporting Activities</b>				
	<b>Grants and Programs</b>	<b>General and Administrative</b>	<b>Indirect Investment Expenses And Taxes</b>	<b>Total</b>	<b>Total</b>
Grants paid (net of rescissions)	\$ 5,942,744	\$ -	\$ -	\$ 5,942,744	\$ 4,976,728
Other expenses					
Salaries	406,202	152,033	50,334	608,569	613,175
Employee benefits	92,650	45,193	13,208	151,051	127,816
Payroll taxes	27,844	11,338	3,665	42,847	41,853
Rent	108,197	19,094	-	127,291	124,347
Business insurance	-	4,042	-	4,042	2,325
Computer and technology expenses	20,706	3,654	-	24,360	21,451
Dues and subscriptions	10,480	1,164	-	11,644	14,914
Travel, conference and meetings	2,381	1,588	-	3,969	12,475
International travel (Guatemala and Mexico)	-	-	-	-	5,156
Professional development	-	777	-	777	502
Office equipment, furniture and enhancements	2,336	412	-	2,748	8,006
Office supplies	1,336	236	-	1,572	3,431
Postage and delivery	91	16	-	107	360
Professional fees:					
Accounting, audit and tax	2,880	11,310	21,003	35,193	37,617
Legal	308	2,062	-	2,370	9,787
Website services	285	15	-	300	2,000
Other	-	8,530	-	8,530	18,515
Telephone	1,501	281	94	1,876	2,722
Taxes and filing fees	-	1,785	-	1,785	500
Other	2,924	3,060	-	5,984	6,920
Total other expenses	680,121	266,590	88,304	1,035,015	1,053,872
Excise tax	-	-	660,000	660,000	80,582
<b>Total</b>	<b>\$ 6,622,865</b>	<b>\$ 266,590</b>	<b>\$ 748,304</b>	<b>\$ 7,637,759</b>	<b>\$ 6,111,182</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, 2020**

	<u>Supporting Activities</u>			
	<u>Grants and Programs</u>	<u>General and Administrative</u>	<u>Indirect Investment Expenses And Taxes</u>	<u>Total</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>\$ 5,686,360</b>	<b>\$ 246,317</b>	<b>\$ 178,505</b>	<b>\$ 6,111,182</b>

See notes to financial statements.



**LAVELLE FUND FOR THE BLIND, INC.****Notes to Financial Statements****December 31, 2021****(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, 2021****(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, 2021 and December 31, 2020, 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, 2021. 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, 2022. 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 12, 2022, 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, 2021

(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, 2021 amounted to \$12,064,775. Included in the future grant commitments is the Brother Kearney Scholarship program, which has a current maximum commitment of \$7,566,040. 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>
2022	\$ 3,132,319	\$ 823,568	\$ 3,955,887
2023	1,123,494	909,454	2,032,948
2024	118,074	1,495,408	1,613,482
2025 and thereafter	124,848	4,337,610	4,462,458
Total	<u>\$ 4,498,735</u>	<u>\$ 7,566,040</u>	<u>\$ 12,064,775</u>

### Note 5 – Grants and scholarships expense

Total grants and scholarships paid in the years ended December 31, 2021 and December 31, 2020 for the Fund's top four program areas amounted to \$5,716,214 and \$4,725,066, respectively.

<u>Primary Program Focus</u>	<u>2021</u>	<u>2020</u>
Medical eye care	\$ 1,491,663	\$ 1,251,762
Vision rehabilitation	2,008,653	1,457,197
Education (other than scholarships)	1,879,983	1,666,337
Education: Brother Kearney Scholarship program	335,915	349,770
Other	226,530	251,662
Total	<u>\$ 5,942,744</u>	<u>\$ 4,976,728</u>

## LAVELLE FUND FOR THE BLIND, INC.

Notes to Financial Statements (continued)  
December 31, 2021  
(Modified Cash Basis)

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

Grants and scholarships paid in 2021 and 2020 by geography served were as follows:

Geography served:		
<u>Grants and Scholarships</u>	<u>2021</u>	<u>2020</u>
Domestic	\$ 3,973,550	\$ 3,389,254
International	<u>1,969,194</u>	<u>1,587,474</u>
Total	<u>\$ 5,942,744</u>	<u>\$ 4,976,728</u>

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

As of December 31, 2021 and December 31, 2020, the investments consist of the following:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Short-term investments	\$ 9,316,795	\$ 9,316,795	\$ 28,752,619	\$ 28,754,823
Mutual funds				
U.S. equities	63,059,893	77,872,964	28,571,022	43,487,645
International equities	55,176,097	52,437,241	-	-
Fixed income	22,793,972	22,369,309	-	-
Equities				
U.S.	-	-	27,041,728	49,881,895
International	-	-	17,465,106	18,669,517
Fixed income	<u>661,134</u>	<u>682,146</u>	<u>4,076,329</u>	<u>4,188,008</u>
Total	<u>\$151,007,891</u>	<u>\$162,678,455</u>	<u>\$105,906,804</u>	<u>\$144,981,888</u>

Investment return for the years ended December 31, 2021 and December 31, 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 2,569,854	\$ 1,766,370
Realized gains	50,666,892	3,316,667
Change in unrealized value of investments	(27,404,520)	14,108,904
Investment management fees	(305,592)	(313,476)
Foreign taxes	-	(9,730)
Net investment return	<u>\$ 25,526,634</u>	<u>\$ 18,868,735</u>

During 2021, the Fund liquidated substantially all its investment portfolio to consolidate under one external outsourced chief investment officer. The liquidation generated a tax liability of approximately \$570,000.

# LAVELLE FUND FOR THE BLIND, INC.

## Notes to Financial Statements (continued)

December 31, 2021

(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 \$118,678 for the year ended December 31, 2021 and \$115,221 for the year ended December 31, 2020.

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

<u>Year</u>	<u>Amount</u>
2022	\$ 122,541
2023	126,217
2024	130,004
2025	133,904
2026	<u>79,461</u>
Total	<u>\$ 592,127</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, 2021 and December 31, 2020 totaled \$69,959 and \$49,166, respectively.

### Note 9 – Program-related investment

In 2021, the Fund’s Board voted to forgive the \$240,000 program-related investment loan to the Lavelle School for the Blind (the “School”).

In addition, during 2021, the Fund’s Board also approved a \$332,000 program-related investment loan to the School. The loan bears a 0% interest rate with all principal outstanding due by July 31, 2022, and with proceeds being used toward any of the School’s general corporate purposes or operating expenses. The School may also choose to prepay this loan in whole or in part at any time in its discretion.

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

**Notes to Financial Statements (continued)**

**December 31, 2021**

**(Modified Cash Basis)**

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

The Fund's financial assets available within one year of December 31, 2021 and December 31, 2020 for grant payments and general expenditures are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 239,545	\$ 138,234
Program-related investment	332,000	240,000
Other investments appropriate for current use	<u>162,678,455</u>	<u>144,981,888</u>
Total	<u>\$ 163,250,000</u>	<u>\$ 145,360,122</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 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.

The Fund's federal excise tax for 2021 is \$734,530. The Fund's 2021 estimated excise tax payments and credits totaled \$665,157 resulting in a payment due upon the filing of the 2021 Form 990-PF of \$69,373.