LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2018 AND 2017

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INTRODUCTORY SECTION

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LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
Financial Statements
For the Years Ended September 30, 2018 and 2017

Table of Contents

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FINANCIAL SECTION

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
LightHouse for the Blind and Visually Impaired
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the LightHouse for the Blind and Visually Impaired (a nonprofit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, respectively, 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.

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 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 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.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

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 and Visually Impaired as of September 30, 2018 and 2017, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Maze & Associates

Pleasant Hill, California
March 14, 2019

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 2C)	$1,056,329	$543,650
Receivables (Note 2D):		
LightHouse Industries sales, net	294,941	252,475
Government contracts	405,221	330,301
Other receivables	532,198	204,896
Prepaids and deposits	117,455	131,107
Inventory (Note 3)	245,486	261,675
Total Current Assets	2,651,630	1,724,104
Non Current Assets:		
Investments (Note 4)	167,016,179	161,408,745
Loans receivable (Note 5)	11,780,500	11,786,152
Property and equipment, net of accumulated depreciation of $3,612,259 and $3,512,137, respectively (Note 6)	7,026,135	7,219,875
Total Non-Current Assets	185,822,814	180,414,772
Total Assets	$188,474,444	$182,138,876
LIABILITIES		
Current Liabilities:		
Accounts payable and other accrued expenses	$1,068,761	$608,320
Accrued vacation	262,312	260,812
Loan payable (Note 7)	1,008,000	939,000
Deferred revenue	25,500	33,160
Total Current Liabilities	2,364,573	1,841,292
Non Current Liabilities:		
Loan payable (Note 7)	26,935,500	29,976,500
Total Liabilities	29,300,073	31,817,792
NET ASSETS (Note 2A)		
Unrestricted:		
Designated for operations	157,982,668	149,847,137
Temporarily restricted (Note 8)	1,191,703	473,947
Total Net Assets	159,174,371	150,321,084
Total Liabilities and Net Assets	$188,474,444	$182,138,876

See accompanying notes to financial statements

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Support:				
Government contracts and other grants	$1,744,737	$271,188		$2,015,925
Donations and bequests	6,901,509	684,199		7,585,708
Total Support	8,646,246	955,387		9,601,633
Revenue:				
Sales, net of fees of $91,612	2,663,946			2,663,946
Fees for service	890,268			890,268
Interest and dividend income (Note 4)	2,988,971			2,988,971
Rental income	291,465			291,465
Miscellaneous	1,000,727			1,000,727
Total Revenue	7,835,377			7,835,377
Net assets released from restrictions (Note 8)	237,631	(237,631)		
Total Support and Revenue	16,719,254	717,756		17,437,010
OPERATING EXPENSES				
Program service	11,473,202			11,473,202
Support services:				
General and administration	1,997,033			1,997,033
Fundraising	963,067			963,067
Total Expenses	14,433,302			14,433,302
Changes in net assets from operations	2,285,952	717,756		3,003,708
OTHER GAINS AND LOSSES				
Realized and unrealized gains (losses) on investments, net of fees (Note 4)	5,992,581			5,992,581
Loss on disposal of fixed assets (Note 6)	(143,002)			(143,002)
Total Other Gains and Losses	5,849,579			5,849,579
Changes in net assets	8,135,531	717,756		8,853,287
Net Assets at Beginning of Year	149,847,137	473,947		150,321,084
Net Assets at End of Year	$157,982,668	$1,191,703		$159,174,371

See accompanying notes to financial statements

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Support:				
Government contracts and other grants	$1,846,317	$450		$1,846,767
Donations and bequests	13,102,896	23,506		13,126,402
Total Support	14,949,213	23,956		14,973,169
Revenue:				
Sales, net of fees of $46,253	1,535,247			1,535,247
Fees for service	1,116,930			1,116,930
Interest and dividend income (Note 4)	2,729,047			2,729,047
Rental income	185,963			185,963
Miscellaneous	808,328			808,328
Total Revenue	6,375,515			6,375,515
Net assets released from restrictions (Note 8)	654,541	(571,808)	($82,733)	
Total Support and Revenue	21,979,269	(547,852)	(82,733)	21,348,684
OPERATING EXPENSES				
Program service	10,286,632			10,286,632
Support services:				
General and administration	1,724,435			1,724,435
Fundraising	792,663			792,663
Total Expenses	12,803,730			12,803,730
Changes in net assets from operations	9,175,539	(547,852)	(82,733)	8,544,954
OTHER GAINS AND LOSSES				
Realized and unrealized gains (losses) on investments, net of fees (Note 4)	11,507,097			11,507,097
Gain (loss) from disposal of fixed assets				
Total Other Gains and Losses	11,507,097			11,507,097
Changes in net assets	20,682,636	(547,852)	(82,733)	20,052,051
Net Assets at Beginning of Year	129,164,501	1,021,799	82,733	130,269,033
Net Assets at End of Year	$149,847,137	$473,947		$150,321,084

See accompanying notes to financial statements

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Program Services			
	Community and Information	Rehabilitation Services	LightHouse Enterprises	Total Program Services
FUNCTIONAL EXPENSES				
Personnel	$2,089,719	$2,621,580	$987,700	$5,698,999
Program costs	255,042	531,155	8,794	794,991
Cost of goods sold			716,945	716,945
Occupancy	1,201,160	304,033	100,719	1,605,912
Depreciation and amortization	215,792	106,256	200,533	522,581
Outside services	422,970	283,856	154,413	861,239
Postage and printing	925	119	758	1,802
Office supplies and equipment	41,878	6,375	77,710	125,963
Staff training, travel and conference	75,222	81,432	4,788	161,442
Insurance	48,646	45,405	22,480	116,531
Telephone	36,633	46,537	20,114	103,284
Bad debt, bank fee, interest and taxes	307,193	275,211	168,000	750,404
Shipping and delivery	3,342		3,136	6,478
Program marketing and public relations	6,631			6,631
Board expenses				
Total Functional Expenses	$4,705,153	$4,301,959	$2,466,090	$11,473,202

See accompanying notes to financial statements

Supporting Services			
Management and General	Fundraising	Total Supporting Services	Total
$1,092,350	$628,564	1,720,914	$7,419,913
145,080	19,352	164,432	959,423
			716,945
50,239	15,464	65,703	1,671,615
25,604	19,353	44,957	567,538
475,312	85,829	561,141	1,422,380
3,839	61,052	64,891	66,693
42,761	4,516	47,277	173,240
29,547	8,945	38,492	199,934
10,941	8,270	19,211	135,742
9,102	4,206	13,308	116,592
78,488	56,768	135,256	885,660
			6,478
105	49,984	50,089	56,720
33,665	764	34,429	34,429
$1,997,033	$963,067	$2,960,100	$14,433,302

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Program Services			
	Community and Information	Rehabilitation Services	LightHouse Enterprises	Total Program Services
FUNCTIONAL EXPENSES				
Personnel	$2,112,131	$2,277,954	$888,527	$5,278,612
Program costs	376,889	501,460	4,111	882,460
Cost of goods sold			479,576	479,576
Occupancy	350,311	324,325	109,643	784,279
Depreciation and amortization	210,965	92,552	178,392	481,909
Outside services	224,124	185,111	108,705	517,940
Postage and printing	43,610	34,568	15,917	94,095
Office supplies and equipment	57,815	9,351	37,744	104,910
Staff training, travel and conference	50,593	75,384	3,594	129,571
Insurance	38,713	31,188	14,357	84,258
Telephone	36,940	35,541	17,627	90,108
Bad debt, bank fee, interest and taxes	563,117	429,471	265,101	1,257,689
Shipping and delivery	2,261	470	4,232	6,963
Program marketing and public relations	92,184	1,633	445	94,262
Board expenses				
Total Functional Expenses	$4,159,653	$3,999,008	$2,127,971	$10,286,632

See accompanying notes to financial statements

Supporting Services			
Management and General	Fundraising	Total Supporting Services	Total
$927,746	$517,061	$1,444,807	$6,723,419
152,197	30,354	182,551	1,065,011
			479,576
47,753	23,493	71,246	855,525
32,368	17,120	49,488	531,397
239,813	38,548	278,361	796,301
12,933	18,679	31,612	125,707
81,584	7,853	89,437	194,347
40,994	6,872	47,866	177,437
10,907	5,769	16,676	100,934
7,219	3,522	10,741	100,849
158,815	80,997	239,812	1,497,501
			6,963
	42,395	42,395	136,657
12,106		12,106	12,106
$1,724,435	$792,663	$2,517,098	$12,803,730

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$8,853,287	$20,052,051
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	567,538	531,397
Realized (gain) on investments	(1,105,112)	(379,851)
Unrealized (gain) on investments	(4,887,469)	(11,127,246)
Loss on disposal of assets	143,002	
(Increase) decrease in accounts receivable	(444,688)	413,784
Decrease (increase) in loan receivable	5,652	(155,652)
Decrease (increase) in prepaid expenses	13,652	(65,428)
Decrease (increase) in inventory	16,189	(67,000)
Increase in accounts payable	460,441	76,204
Increase (decrease) in accrued vacation	1,500	(18,055)
(Decrease) increase in deferred revenue	(7,660)	33,160
Total Adjustments	(5,236,955)	(10,758,687)
Net Cash Provided (Used) by Operating Activities	3,616,332	9,293,364
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,414,853)	(24,684,383)
Sales of investments	1,800,000	23,764,627
Purchase of property, equipment and improvements	(361,281)	(812,279)
Purchase of construction in progress	(155,519)	(104,680)
Net Cash Provided (Used) by Investing Activities	(131,653)	(1,836,715)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on loan	(2,972,000)	(4,401,500)
Repayments on line of credit		(7,757,387)
Net Cash Provided (Used) by Financing Activities	(2,972,000)	(12,158,887)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	512,679	(4,702,238)
Cash and Cash Equivalents, Beginning of Year	543,650	5,245,888
Cash and Cash Equivalents, End of Year	$1,056,329	$543,650
SUPPLEMENTARY INFORMATION:		
Cash paid for interest	$1,021,759	$1,003,284

See accompanying notes to financial statements

NOTE 1 – ORGANIZATION AND PROGRAMS

A. Reporting Entity

LightHouse for the Blind and Visually Impaired (hereafter, LightHouse or the Organization), a California nonprofit public benefit corporation founded in 1902, provides a variety of programs to adults, children and seniors who are blind or visually impaired at six locations in San Francisco and throughout Northern California.

LightHouse is the sole owner of The Lighthouse Member LLC (LLC), and 1155 Market Street QALICB, a California not-for-profit organization. The governing bodies of the three entities are substantially different.

B. Programs

Community and Information Services

- Founded in 1902, the Lighthouse for the Blind and Visually Impaired offers programs in six locations in San Francisco and throughout Northern California serving 3,000 blind and visually impaired individuals annually.

- Community Services offers cutting edge social, health promotion and educational classes for the blind. Some of the opportunities include, yoga, dance, a book club, and many exciting programs. Cultural, artistic and fitness programs bring people together for vital social engagement and to build a community of low vision and blind people.

- Blind teens find a place where blindness is normal at LightHouse Youth Programs. Activities include adventures in the great outdoors, volunteer service and mentorship opportunities

- A Counseling Services Program for the blind and low vision provides one-on-one counseling, peer counseling, group therapy sessions and LGBT group therapy.

- The overarching mission of the Media and Accessible Design Laboratory (MAD Lab) is to make visual information accessible to people who are blind and visually impaired. The transcription team takes original copy and translates it into accessible formats, including braille, large print, and audio. An experienced team of braille certified tactile image and map designers helps corporate and governmental entities, educational institutions, and non-profit organizations improve the accessibility and inclusiveness of their venues and services as well as comply with ADA signage standards and state building codes.

- Since 2011 Lighthouse Labs has been the premiere place for conversation about the future of accessibility. Makers, students, and high tech corporations come to meet with blind technologists, engineers, and savvy consumers to develop and critique new technologies.

NOTE 1 – ORGANIZATION AND PROGRAMS (Continued)

- Superfest International Disability Film Festival, founded in the 1970s is the longest running disability film festival. Since 2012 Lighthouse has partnered with San Francisco State's Longmore Institute on Disability to coordinate this annual competition that celebrates cutting-edge cinema that portrays disability culture in all its diverse, complex and empowering facets. www.Superfestfilm.com

Vision Rehabilitation Services

- Blindness Skills provides training to people who are new to blindness or low vision to help them learn to use a white cane for mobility, read braille, utilize accessible technology and acquire adaptive methods for cooking and daily living.

- The LightHouse's Employment Immersion Program is our award winning job training program specifically designed for blind and visually impaired jobseekers in the Bay Area. An impressive 43% of graduates have found jobs, starting them on a path of self-reliance and life fulfilment.

- Enchanted Hills Camp for the Blind in Napa is one of the west's only camps for blind, visually impaired, deaf-blind and multi-disabled youth, adults and seniors. Enchanted Hills Camp is a place for blind campers to explore and create, gain courage, try new things and make lifelong friends.

- Deaf-Blind Services include a communications equipment and training program that is open to deaf-blind individuals throughout the state. We also host a special Enchanted Hills Camp session specifically for the deaf-blind.

LightHouse Enterprises

- At our San Francisco Headquarters LightHouse operates Adaptations, a brick-and-mortar store selling blind adaptive technologies and tools, such as white canes, guide dog supplies, magnifiers, talking watches and other items.

- For 25 years LightHouse Industries has provided direct employment at the Lighthouse for the Blind, Sirkin Center, our light manufacturing plant in San Leandro. 75% of all direct labor is performed by blind or visually impaired employees.

LightHouse has a diversified funding base made up of return on investments, a variety of government funding sources including grants, contracts, fees for services and sales, private donations and foundation funding. LightHouse is vulnerable to the inherent risks associated with revenue that is substantially dependent on government funding, public support, and contributions. The continued growth and well-being of LightHouse is contingent upon successful achievement of its long-term revenue raising goals.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Resources are classified for accounting and reporting purposes into three classes of net assets: unrestricted, temporarily restricted and permanently restricted, according to externally imposed restriction as follows:

Unrestricted net assets- Net assets that are not subject to any donor-imposed restrictions.

Temporarily restricted net assets- Net assets resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishments that are subject to the same kinds of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets- Net assets resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization, (b) from other assets enhancements and diminishments that are subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations. During fiscal year ended September 30, 2017, the organization was granted permission to release the permanently restricted endowment of $82,733 to unrestricted.

B. Method of Accounting

The financial statements of the Organization are prepared using the accrual basis of accounting, which reflects revenue when earned and expenses as incurred.

C. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

D. Receivables

Receivables are stated at the amount the Organization’s management expects to collect from outstanding balances. Management provides for probably uncollectible amounts through a charge to bad debt expense and a credit to a valuation of its assessment of the current status of individual accounts. Management believes the entire balance of receivables is collectible, and therefore, no allowance was recorded as of September 30, 2018 and 2017, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

F. Property, Equipment and Improvements

The Organization records property, equipment and improvements in excess of $5,000 at historical cost or, if donated, at fair market value at the date of donation. Depreciation is determined on the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged against income as incurred.

G. Functional Allocation of Expenses

The Organization allocated its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly. Indirect costs are allocated among program and support services on a basis proportionate to the direct staff time or other method which best measures the relative degree of benefit.

H. Sales Tax

The State of California imposes a sales tax on all sales to nonexempt customers. The LightHouse collects that sales tax from customers and remits the entire amount to the State. LightHouse's accounting policy is to include the tax collected and remitted to the State in accounts payable and other accrued expenses.

I. Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of U.S. the Internal Revenue Code. Accordingly, no provision for income taxes has been provided in these financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Unrelated business income, if any, may be subject to income tax. The Organization paid no taxes on unrelated business income in the years ended September 30, 2018 or 2017.

Generally accepted accounting principles require the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the organization's tax returns. Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Organization's tax returns remain open for federal income tax examination for three years from the date of filing.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principle requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Advertising Costs

Advertising costs, if any, are expensed as incurred.

L. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs that are not observable in the market and reflect the management's judgment about the assumptions that market participants would use in pricing the asset or liability.

NOTE 3 – INVENTORY

Inventory items are held for sale or resale and are stated at the lower of cost or market value and determined on a first-in, first-out basis:

Description	2018	2017
Adaptations Store Inventory	$103,745	$93,474
LightHouse Industries materials inventory	141,741	168,201
Total	$245,486	$261,675

NOTE 4 – INVESTMENTS

The following are the major categories of marketable equity securities measured at fair value on a recurring basis during the years ended September 30, 2018 and 2017, using quoted prices in active markets for identified assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

	Fair Value Measurements Using			
Description	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2018:				
Mutual funds - Equity funds		$92,195,158		$92,195,158
Mutual funds - Bond funds		35,529,465		35,529,465
Mutual funds - Real Estate Investment Trust		5,727,950		5,727,950
Corporate Bonds	$2,461,566			2,461,566
Money Market Funds	3,916,753			3,916,753
Equity Investment in The Lighthouse Member LLC			$27,185,287	27,185,287
	$6,378,319	$133,452,573	$27,185,287	$167,016,179
2017:				
Mutual funds - Equity funds		$83,480,306		$83,480,306
Mutual funds - Bond funds		36,665,756		36,665,756
Mutual funds - Real Estate Investment Trust		5,620,190		5,620,190
Corporate Bonds	$2,598,339			2,598,339
Money Market Funds	4,669,324			4,669,324
Equity Investment in The Lighthouse Member LLC			$28,374,830	28,374,830
	$7,267,663	$125,766,252	$28,374,830	$161,408,745

Mutual Funds are reported using Level 2 inputs based on values provided by the investment advisors, and the equity investment in the Lighthouse Member LLC is reported using Level 3 inputs based on the closing sales price of the building. In accordance with the $36 million term loan from U.S. Bank (see Note 7), the Organization held as collateral $64,993,549 in investments to collateralize the term loan. The collateral is required to exceed the outstanding loan balance, and is monitored on a monthly basis by U.S. Bank.

The following summarizes the investment income during the years ended September 30, 2018 and 2017:

	2018	2017
Interest and dividend income	$2,988,971	$2,729,047
Realized gain on investments	1,105,112	379,851
Unrealized gain/(loss) on investments	4,887,469	11,127,246
Subtotal	5,992,581	11,507,097
Total investment income, net	$8,981,552	$14,236,144

NOTE 5 – LOAN RECEIVABLE

On December 9, 2015, the Organization entered into a loan agreement with USBCDC Investment Fund 105, LLC ("Borrower") in the amount of $11,630,500. The loan was entered into to obtain a New Market Tax Credit under Section 45D of the Internal Revenue Code. The Borrower used the proceeds to refinance a portion of the $15,000,000 equity investment in the ESIC New Markets Partners LXII Limited Partnership, (the "Enterprise Community Development Entity or Enterprise CDE") and fund a portion of the $2,500,000 equity investment in USBCDE Sub-CDE 139, LLC, (the "USB CDE Investment"), return a portion of the capital contributions previously made by U.S. Bancorp Community Development Corporation in the amount of $4,105,500, and pay various fees in connection with the New Market Tax Credit transaction. The outstanding principal balance of the loan funds will accrue interest at a rate of 1.465827% per annum, payable quarterly. Principal payments will not become due until March 15, 2023, after the New Market Tax Credit compliance period has ended, at which time the Borrower shall make a one-time payment to the Organization in the amount of distributions by the Community Development Entities. The loan matures on December 9, 2045. The balance of the loan as of September 30, 2018 and 2017 was $11,630,500, respectively.

The Organization also has two convertible promissory notes issued in October and November of 2016 by corporations engaged in technical developments that support the blind and low vision population. The balance of the two loans as of September 30, 2018 and 2017 was $150,000 and $155,652, respectively.

NOTE 6 – PROPERTY, EQUIPMENT, AND IMPROVEMENTS

Property, equipment and improvements consisted of the following at September 30, 2018:

	Balance at September 30, 2017	Additions	Retirements	Transfers	Balance at September 30, 2018
Non-depreciable:					
Land	$974,290				$974,290
Land Improvements	651,757		($120,521)		531,236
Construction In Progress	104,680	$155,519		($104,680)	155,519
Total Non-Depreciable	1,730,727	155,519	(120,521)	(104,680)	1,661,045
Depreciable:					
Building and Improvements	5,111,212	194,718	(287,710)	97,814	5,116,034
Leasehold Improvements	229,361				229,361
Furniture and Equipment	3,660,712	166,563	(202,187)	6,866	3,631,954
Total Depreciable	9,001,285	361,281	(489,897)	104,680	8,977,349
Less: Accumulated depreciation	(3,512,137)	(567,538)	467,416		(3,612,259)
Property, Equipment and Improvements, Net	$7,219,875	($50,738)	($143,002)		$7,026,135

NOTE 6 – PROPERTY, EQUIPMENT, AND IMPROVEMENTS (Continued)

Property, equipment and improvements consisted of the following at September 30, 2017:

	Balance at September 30, 2016	Additions	Transfers	Balance at September 30, 2017
Non-depreciable:				
Land	$974,290			$974,290
Land Improvements	551,561	$13,451	$86,745	651,757
Construction In Progress	226,761	104,680	(226,761)	104,680
Total Non-depreciable	1,752,612	118,131	(140,016)	1,730,727
Depreciable:				
Building and Improvements	4,390,188	581,008	140,016	5,111,212
Leasehold Improvements	37,899	191,462		229,361
Furniture and Equipment	3,634,354	26,358		3,660,712
Total Depreciable	8,062,441	798,828	140,016	9,001,285
Less: Accumulated depreciation	(2,980,740)	(531,397)		(3,512,137)
Property, Equipment and Improvements, Net	$6,834,313	$385,562		$7,219,875

Depreciation expense is calculated using the straight-line method over the useful lives of the assets (Building and Improvements: 10-40 years, Leasehold Improvements: 10-15 years, Furniture and Equipment: 5-20 years). Depreciation expense for the years ended September 30, 2018 and 2017 was $567,538 and $531,397, respectively.

NOTE 7 – LOAN PAYABLE

The New Market Tax Credit was enacted as part of the Community Renewal Tax Relief Act of 2000 and was designed to stimulate investment in new private capital, which would in turn facilitate economic and community development in distressed communities. In connection with the New Market Tax Credit transaction, on December 2, 2015, the Organization entered into a loan agreement for a term loan in the amount of $36,000,000. The loan is secured by investments held in U.S. Bank, as mentioned in Note 4, and the unpaid principal balance bears interest at the rate of LIBOR plus 1.83%, which is repriced monthly. Payments are due monthly, and the unpaid principal and unpaid accrued interest is due upon maturity of the loan on March 1, 2023. On September 30, 2018 and 2017, the unpaid principal balance was $27,943,500 and $30,915,500, respectively.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2018 and 2017

NOTE 7 – LOAN PAYABLE (Continued)

The future minimum liability for the term is shown below:

For the Year Ending September 30	Principal
2019	$1,008,000
2020	1,044,000
2021	1,081,000
2022	1,120,000
2023	23,690,500
Subtotal	27,943,500
Less: Current Portion	(1,008,000)
Non-Current Portion	$ 26,935,500

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted by time and/or purpose and consisted of the following at September 30:

	2018	2017
Enchanted Hills Camp	$1,168,565	$446,028
Rehabilitation services	10,429	17,644
Other	12,709	10,275
	$1,191,703	$473,947

For the years ended September 30, 2018 and 2017, net assets released from restriction from various donor sources consisted of the following:

	2018	2017
Enchanted Hills Camp	$160,027	$503,588
Market Street office space		145,913
Rehabilitation services	21,364	4,350
Other	56,240	690
	$237,631	$654,541

NOTE 9 – OPERATING LEASES AND SERVICE AGREEMENTS

The Organization has entered into the following operating leases:

- The Organization leases office space in Eureka, California, under a noncancelable lease that expired September 30, 2013, and is month-to-month thereafter. The lease called for monthly rent payments of $436 to be adjusted annually based on the area Consumer Price Index (CPI), plus $100 per month for common area expenses. During the years ended September 30, 2018 and 2017, rent expense under this lease was $6,612 and $6,477, respectively.

- The Organization leases office space in Berkeley, California, under a 60-month noncancelable lease that expired October 31, 2015 and paid on a month-to-month basis through October 31, 2016, at which time, the Organization entered into a new lease agreement on November 1, 2016, which expires October 31, 2021. The new lease calls for base monthly rent payments of $11,430 to increase by CPI annually, plus an allocation of overhead costs. During the years ended September 30, 2018 and 2017, rent expense under this lease was $188,118 and $162,561, respectively.

- The Organization leases office space in San Rafael, California, under a 48-month noncancelable lease that expires December 31, 2018. The lease calls for base monthly rent payments of $2,550, to increase by CPI annually. During the years ended September 30, 2018 and 2017, rent expense under this lease was $27,900 and $29,814, respectively.

- Additionally, in connection with the purchase of the new headquarters at 1155 Market Street, San Francisco, California, the Organization entered into a lease agreement in fiscal year 2014 for floors 9, 10, and 11 prior to the completion of the New Market Tax Credit transaction. The lease called for base monthly rent payments of $117,928 for the period June 1, 2014 through May 30, 2015 and $121,466 for the period June 1, 2015 through May 30, 2016, plus an allocation of operating costs. Additionally, the lease provided for a reduced purchase option price based on the date of the execution of the New Market Tax Credit transaction, which occurred on December 9, 2015; the lease was subsequently cancelled. During the years ended September 30, 2018 and 2017, rent expenses under this lease were $187,000 and $194,250, respectively.

- Finally, to remain in compliance with New Market Tax Credit requirements as provided in Section 45D of the Internal Revenue Code, the Organization transferred the construction in progress related to the renovations of the new headquarters at 1155 Market Street, San Francisco, California to 1155 Market QALICB, a California nonprofit corporation (as discussed in Note 6). As 1155 Market QALICB will retain ownership of the property through the 7-year compliance period, the Organization entered into a lease agreement on December 9, 2015 to lease floors 9, 10 and 11 of the new headquarters from 1155 Market QALICB. The lease agreement calls for annual rent payments of $90,000 up to $855,000 and expires on December 31, 2045, and is cancellable upon the transfer of the property, which is expected to occur after the 7-year New Market Tax Credit compliance period.

NOTE 9 – OPERATING LEASES AND SERVICE AGREEMENTS (Continued)

Future minimum payments under these noncancelable lease and service agreements are as follows:

Fiscal Year Ending:	
2019	$326,696
2020	311,440
2021	311,440
2022	311,440
2023	197,370
2024 - 2028	3,440,000
2029 - 2033	4,275,000
2034 - 2038	4,275,000
2039 - 2043	4,275,000
2044 - 2046	2,707,500
	$20,430,886

NOTE 10 – RETIREMENT PLANS

The Organization has adopted a 401(k)-retirement plan, which covers all employees. Effective January 1, 2011, LightHouse makes matching contributions equal to 100% of the participant contribution during the plan year, not to exceed a Board approved percentage of each participant's compensation, for all eligible participants who completed at least one year of service with at least 1,000 hours in that 12-month period. The current not to exceed match percent is 7%, approved by the Board in 2016. The plan vesting schedule is determined by the years of service with 100% vesting after 6 years of service. During the years ended September 30, 2018 and 2017, the Board approved a contribution to the plan which totaled $225,628 and $211,781, respectively.

LightHouse also adopted a 457(b)-plan effective March 1, 2011. The plan is funded by employee contributions, and the Organization made no contributions toward this plan during the years ended September 30, 2018 and 2017.

NOTE 11 – CONTINGENCIES

The Organization receives grants and contracts from various County, State, and Federal agencies. These grants and contracts are subject to inspect and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be estimated and, accordingly, the Organization has no provisions for the possible disallowance of program costs. It is management's opinion that all grants and contract conditions have been met.

NOTE 12 – EXCESS OF FDIC

As of September 30, 2018 and 2017, respectively, the Organization had exceeded the Federal Depository Insurance Corporation cash limit of $250,000 on its depository accounts. At September 30, 2018 and 2017, respectively, the Organization had approximately $1,638,085 and $4,317,191 on deposit in excess of federally insured limits.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 14, 2019, the date the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

SINGLE AUDIT SECTION

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LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified?		Yes	X	None Reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified			
Internal control over major programs:				
• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified?		Yes	X	None Reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		Yes	X	No

Identification of major programs:

CFDA#(s)	Name of Federal Program
32.U01	Federal Communications Commission - National Deaf-Blind Equipment Distribution Program

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee?	X	Yes		No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any significant deficiencies, or material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated March 14, 2019 which is an integral part of our audit and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit did not disclose any findings or questioned costs required to be reported in accordance with Uniform Guidance.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended September 30, 2018

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Pass-Through To Subrecipients	Federal Expenditures
Federal Communications Commission Direct Programs				
National Deaf-Blind Equipment Distribution Program (NDBEDP)	32.U01		$33,402	$1,090,351
Subtotal Federal Communications Commission Direct Programs			33,402	1,090,351
Department of Education Pass-Through Programs From:				
State of California				
Independent Living Services for Older Individuals Who are Blind	84.177	C5160-101-0890		234,882
Subtotal Department of Education Pass-Through Programs				234,882
Total Expenditures of Federal Awards			$33,402	$1,325,233

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended September 30, 2018

NOTE 1 – REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the LightHouse for the Blind and Visually Impaired.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. The Organization's revenue and expenses are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

NOTE 3 – INDIRECT COST ELECTION

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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**INDEPENDENT AUDITOR'S 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
LightHouse for the Blind and Visually Impaired
San Francisco, California

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 basic financial statements of the LightHouse for the Blind and Visually Impaired, as of and for the year ended September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

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 determination of financial statement amounts. 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*.

We have also issued a separate Memorandum on Internal Control dated March 14, 2019 which is an integral part of our audit and should be read in conjunction with this report.

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 result 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.

Maze & Associates

Pleasant Hill, California
March 14, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
LightHouse for the Blind and Visually Impaired
San Francisco, California

Report on Compliance for Each Major Federal Program

We have audited LightHouse for the Blind and Visually Impaired compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2018. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended September 30, 2018 and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements. We issued our report thereon dated March 14, 2019 an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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. The 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Maze & Associates

Pleasant Hill, California
March 14, 2019