

Missouri Council of the Blind

Auditor's Report and Financial Statements

For the year ended August 31, 2017



Missouri Council of the Blind
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For the year ended August 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Missouri Council of the Blind, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Missouri Council of the Blind, Inc. (a nonprofit organization) which comprise the statement of financial position as of August 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Missouri Council of the Blind, Inc. as of August 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Stopp & VanHoy". The signature is written in a cursive, flowing style.

Creve Coeur, Missouri
March 8, 2018

**Missouri Council of the Blind
Statement of Financial Position
August 31, 2017**

Assets

	<u>Total</u>
Current Assets	
Cash and cash equivalents	\$ 12,911
Investments	3,291,638
Prepaid Expenses	300
Total Current Assets	<u>3,304,849</u>
Noncurrent Assets	
Property and equipment, net	166,005
Assets held in charitable lead trust	240,620
Beneficial interest in perpetual trust	1,580,389
Total Noncurrent Assets	<u>1,987,014</u>
Total Assets	<u><u>\$ 5,291,863</u></u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 532
Accrued liabilities	28,435
Total Current Liabilities	<u>28,967</u>
Noncurrent Liabilities	
Liability for funds held for others	172,633
Total Noncurrent Liabilities	<u>172,633</u>
Total Liabilities	201,600
Net Assets	
Unrestricted	3,509,874
Temporarily restricted	-
Permanently restricted	1,580,389
Total Net Assets	<u>5,090,263</u>
Total Liabilities and Net Assets	<u><u>\$ 5,291,863</u></u>

See Notes to the Financial Statements

Missouri Council of the Blind
Statement of Activities
For the year ended August 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Contributions and memorials	\$ 9,041	\$ -	\$ -	\$ 9,041
Convention income	17,918	-	-	17,918
Summer camp	35,459	-	-	35,459
Member dues	8,540	-	-	8,540
Fundraising	4,394	-	-	4,394
Miscellaneous income	342	-	-	342
Investment income	20,423	-	-	20,423
Gain (loss) on investments, net	299,004	-	-	299,004
Gain (loss) on trusts	67,500	-	72,520	140,020
Net assets released from restriction	-	-	-	-
Total Operating Revenues	\$ 462,621	\$ -	\$ 72,520	\$ 535,141
Expenses				
Program services	\$ 373,330	\$ -	\$ -	\$ 373,330
Management and general	75,245	-	-	75,245
Fundraising	15,631	-	-	15,631
Total Expenses	\$ 464,206	\$ -	\$ -	\$ 464,206
Change in Net Assets	\$ (1,585)	\$ -	\$ 72,520	\$ 70,935
Net Assets - Beginning of Year	3,511,459	-	1,507,869	5,019,328
Net Assets - End of Year	\$ 3,509,874	\$ -	\$ 1,580,389	\$ 5,090,263

See Notes to the Financial Statements

**Missouri Council of the Blind
Statement of Functional Expenses
For the year ended August 31, 2017**

	Programs	Management and General	Fundraising	Total
Salaries and employee benefits	\$ 74,895	\$ 48,942	\$ 9,070	\$ 132,907
Donations and grants	7,169	-	-	7,169
Occupancy expense	7,373	4,818	893	13,084
Professional fees	29,413	7,916	1,467	38,796
Boards, committees, and dues	19,731	3,420	537	23,688
Chronicle	8,226	-	-	8,226
Education & Advocacy	16,437	-	-	16,437
Adaptive Technology	25,000	-	-	25,000
Scholarships	13,000	-	-	13,000
Youth Outreach	16,981	-	-	16,981
Other Program Expense	23,542	-	-	23,542
Convention expenses	54,108	-	-	54,108
Summer camp	59,473	-	-	59,473
Office Expense	6,889	4,502	834	12,225
Insurance	1,932	1,262	234	3,428
Depreciation and amortization	6,710	4,385	812	11,907
Other expense	2,451	-	1,784	4,235
Total Expenses	\$ 373,330	\$ 75,245	\$ 15,631	\$ 464,206

See Notes to the Financial Statements

Missouri Council of the Blind
Statement of Cash Flows
For the year ended August 31, 2017

	2017
Cash Flows from Operating Activities:	
Change in net assets	\$ 70,935
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	11,907
Net unrealized (gain) loss on investments	(299,004)
(Gain) Loss in value of beneficial interest in perpetual trust	(72,520)
(Gain) Loss in value of assets held in charitable lead trust	1,595
(Increase) Decrease in operating assets:	
Prepaid expenses	(300)
Increase (Decrease) in operating liabilities:	
Accounts payable	(3,540)
Changes in liability for funds held for others	3,000
Accrued liabilities	13,788
Net cash provided (used) by operating activities	(274,139)
 Cash Flows from Investing Activities	
Purchase of property and equipment	(7,170)
Proceeds (purchases) of investments, net	250,009
Net cash provided (used) by investing activities:	242,839
 Net increase (decrease) in cash	\$ (31,300)
 Cash and cash equivalents - Beginning of Year	44,211
 Cash and cash equivalents - End of Year	\$ 12,911
 Noncash Investing and Financing Activities:	
None	
 Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	\$ -

See Notes to the Financial Statements

Missouri Council of the Blind
Notes to the Financial Statements
For the year ended August 31, 2017

Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Business

The purpose of the Missouri Council of the Blind ("the Council") is to promote the general well being of the legally blind people of Missouri, and to support or participate in other programs promoting the best interest of legally blind people everywhere. Various means by which these goals are accomplished include technology grants to qualifying individuals for specialized equipment, health benefits in the form of payments or reimbursements for qualifying expenses, special service programs to render help in emergency circumstances, summer camps, and education of legislative bodies.

Financial Statement Presentation

The financial statements have been prepared using the accrual basis of accounting. Additionally, financial statement presentation follows the recommendation of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, *Not for Profit Entities, Presentation of Financial Statements*. Under FASB ASC 958-205, the Missouri Council of the Blind is required to report information regarding its financial position and activities according to three classes of net assets - unrestricted, temporarily restricted and permanently restricted as follows:

Unrestricted Net Assets - Unrestricted net assets are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets - Temporarily restricted net assets are those which are subject to donor-imposed stipulations that may or will be met by the actions of the Council and/or the passage of time.

Permanently Restricted Net Assets - Permanently restricted net assets are subject to donor-imposed stipulations that they be permanently retained by the Council. Generally, the donors of these assets permit the Council to use all or part of the income earned on related investments for general or specific purposes.

Revenue Recognition

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted explicitly by donor stipulation or by law. Satisfaction of temporary restrictions on net assets, i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications to unrestricted net assets. Contributions received with donor-imposed or time restrictions that are met in the same year as received are reported as revenues of unrestricted net assets.

Missouri Council of the Blind
Notes to the Financial Statements
For the year ended August 31, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Council considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded as support at the estimated fair value on the date of donation, and reported as unrestricted support unless the donor has restricted the donated asset. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from 5-7 years for furniture, equipment and vehicles and 10-30 years for building improvements and buildings. Major additions and betterments of \$1,000 or more that extend the useful lives of property and equipment are capitalized. General maintenance and repairs are charged to expense as incurred.

Investments

Investments, consisting primarily of cash and cash equivalents, mutual funds, bonds and certificates of deposit, with readily determinable market values, are measured at fair value as of year-end in the statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is recognized in the statement of activities and changes in net assets.

Compensated Absences

The Council has a formal paid time off and sick leave policy for employee benefits. Eligible employees are paid for time earned but not taken for vacation and sick leave at termination of employment. The accrued unpaid time off and sick leave as of August 31, 2017 is \$10,287.

Tax Status

The Council is a not-for-profit charitable organization which qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for federal or state corporate income taxes has been made in the accompanying financial statements. The federal information tax returns of the Council are subject to examination by the Internal Revenue Service for the statutory period.

Missouri Council of the Blind
Notes to the Financial Statements
For the year ended August 31, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Functional Expenses

The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited, and are subject to a certain degree of estimation by management.

The Council, in fulfilling its mission, performs several services under one program and two supporting service functions.

Program Services:

Summer Camp: The purpose of the Summer Camp Program is to offer a rich experience of fun, recreation, relaxation and socialization to Missouri Council of the Blind (MCB) legally blind and sighted members as well as other legally blind citizens of Missouri who are not members of MCB.

Convention: The annual MCB Convention brings together our membership for seminars, workshops and presentations designed to improve the lives of the blind and visually impaired. Vendors and exhibitors display the latest technological aids for the blind, members display and sell arts and crafts, along with several social gatherings, awards banquet and youth banquet.

Other Programs: The Council provides a host of other programs to help improve the lives of visually-impaired and legally blind Missourians. These programs include the adaptive technology grant program, educational scholarships program, health benefits program, special services program, and youth services program.

Supporting Services:

Management and General: Includes all costs not identifiable with a single program or fundraising activity, but are an integral part of such programs and activities and the Council's existence.

Fundraising: Activities performed for the generation of funds to support programs and management operations.

Use of Estimates

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

Missouri Council of the Blind
Notes to the Financial Statements
For the year ended August 31, 2017

Note 2 - Investments

Investments are stated at fair value and at August 31, 2017 consist of the following:

	<u>Fair Value</u>
Cash and cash equivalents	\$ 73,265
Fixed income	471,767
Equity securities	870,199
Alternative investments	106,499
Mutual funds/ETF'S	<u>2,010,528</u>
Total	<u>\$ 3,532,258</u>

Investment income for the year ended August 31, 2017 consists of the following:

Interest and dividends	\$ 52,184
Investment fees	(31,761)
Total	<u>\$ 20,423</u>

Note 3 - Fair Value of Financial Instruments

In determining fair value, the Council uses various approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The fair value measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The framework defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets

Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions

A description of valuation methodologies used for instruments measured at fair value and their classification in the valuation framework follows:

Missouri Council of the Blind
Notes to the Financial Statements
For the year ended August 31, 2017

Note 3 - Fair Value of Financial Instruments (continued)

Investments

The Council's investments are held in accounts with Raymond James and U.S Bank. The fair value of these investments is readily available and is based upon market value. Equity securities and government issued securities listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

Beneficial Interest in Trust and Assets Held in Trust

The value of the beneficial interest agreement is recorded at the fair value of the investments which are held by third-party trustees and then adjusted for the Council's interest in the assets. The value of the assets held in charitable lead trust are recorded at the fair value of the investments which are held by the Council at Wells Fargo. These trusts are classified within Level 2 of the valuation hierarchy, within the fair value measurement framework.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of August 31, 2017:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 73,265	\$ -	\$ -	\$ 73,265
Fixed income	471,767	-	-	471,767
Equity securities	870,199	-	-	870,199
Alternative investments	106,499	-	-	106,499
Mutual funds	2,010,528	-	-	2,010,528
Assets held in charitable lead trust	-	240,620	-	240,620
Beneficial interest in perpetual trust	-	1,580,389	-	1,580,389
Total	\$ 3,532,258	\$ 1,821,009	\$ -	\$ 5,353,267

Note 4 - Beneficial Interest in Assets Held in Trust

The Council has a 5% interest in an irrevocable perpetual trust administered by a third party which was established by a donor and became effective after death. The Council has the irrevocable right to receive 5% of the income from the trust's assets in perpetuity. However, the Council will never receive its interest in the principal of the trust's assets.

An asset for the trust has been recognized at the lesser of the present value of the expected future cash flow payments discounted at a rate of 1.40% or 5% of the underlying assets of the trust. At August 31, 2017, 5% of the underlying assets represents the Council's share of the fair market value of the trust principal. The increase of \$72,520 in the value of the trust has been reported in the statement of activities as an increase in permanently restricted net assets. Unrestricted income produced by the trust for the year ended August 31, 2017 was \$67,500, and is reported in the Statement of Activities.

Missouri Council of the Blind
Notes to the Financial Statements
For the year ended August 31, 2017

Note 5 - Interest in Charitable Lead Trust

During 2013, a donor established a trust naming the Council as the lead beneficiary and trustee of a charitable lead trust. Under terms of the split-interest agreement, the Organization is to receive all the income of the trust annually for the care of blind Missourians, for a period of 20 years. After the 20 year period, the trust is to terminate, and remaining trust assets are to be distributed to others. The principle of the trust must be held intact in a separate FDIC insured account. The amount due to others in 20 years, has been estimated based on the present value of the amount due in 20 years, using a 2% discount rate. Based on the present value of its expected future cash inflows using a 2% discount rate, the contribution to the Council was estimated to be \$78,522, which was recorded in 2013 as a temporarily restricted contribution. On an annual basis, the Organization will revalue the contribution based on current market conditions.

Note 6 - Property and Equipment

The property and equipment at August 31, 2017 is comprised of the following:

	Amount
Nondepreciable Assets:	
Land	\$ 27,060
Depreciable Assets:	
Building	262,651
Furniture and fixtures	1,430
Building improvements	9,977
Equipment	18,284
Software	7,995
	\$ 327,397
Accumulated depreciation	(161,392)
	\$ 166,005

Depreciation and amortization expense was \$11,907 for the year ended August 31, 2017.

Note 7 - Restricted Net Assets

Permanently restricted net assets, which are restricted for investment in perpetuity by the donor, as of August 31, 2017 are as follows:

Beneficial interest in assets held in trust:	
Council operations	\$ 1,580,389

Missouri Council of the Blind
Notes to the Financial Statements
For the year ended August 31, 2017

Note 8 - Subsequent Events

The Council has evaluated events subsequent to August 31, 2017 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through March 8, 2018, the date the financial statements were available to be issued.

Subsequent to August 31, 2017, the Board of Directors voted to change the Council's fiscal year-end to October 31st. The Council's next fiscal year-end is anticipated to be October 31, 2017.