

**Missouri Council of the Blind**

**Auditor's Report and Financial Statements**

**For the year ended August 31, 2016**



**Missouri Council of the Blind**  
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**For the year ended August 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

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

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, 2016, 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, 2016, 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.



Creve Coeur, Missouri  
February 16, 2017

**Missouri Council of the Blind  
Statement of Financial Position  
August 31, 2016**

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**Assets**

	<u><b>Total</b></u>
<b>Current Assets</b>	
Cash and cash equivalents	\$ 44,211
Investments	3,242,642
<b>Total Current Assets</b>	<u>3,286,853</u>
<b>Noncurrent Assets</b>	
Property and equipment, net	170,743
Assets held in charitable lead trust	242,215
Beneficial interest in perpetual trust	1,507,869
<b>Total Noncurrent Assets</b>	<u>1,920,827</u>
<b>Total Assets</b>	<u><u>\$ 5,207,680</u></u>

**Liabilities and Net Assets**

<b>Current Liabilities</b>	
Accounts payable	\$ 4,072
Accrued liabilities	14,647
<b>Total Current Liabilities</b>	<u>18,719</u>
<b>Noncurrent Liabilities</b>	
Liability for funds held for others	169,633
<b>Total Noncurrent Liabilities</b>	<u>169,633</u>
<b>Total Liabilities</b>	188,352
<b>Net Assets</b>	
Unrestricted	3,511,459
Temporarily restricted	-
Permanently restricted	1,507,869
<b>Total Net Assets</b>	<u>5,019,328</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 5,207,680</u></u>

See Notes to the Financial Statements

**Missouri Council of the Blind**  
**Statement of Activities**  
**For the year ended August 31, 2016**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Revenues</b>				
Contributions and memorials	\$ 25,029	\$ -	\$ -	\$ 25,029
Convention income	6,790	-	-	6,790
Summer camp	35,498	-	-	35,498
Member dues	9,174	-	-	9,174
Fundraising	7,639	-	-	7,639
Miscellaneous income	204	-	-	204
Investment income	29,792	-	-	29,792
Gain (loss) on investments, net	183,051	-	-	183,051
Gain (loss) on trusts	64,950	-	42,121	107,071
Net assets released from restriction	-	-	-	-
<b>Total Operating Revenues</b>	<b>\$ 362,127</b>	<b>\$ -</b>	<b>\$ 42,121</b>	<b>\$ 404,248</b>
<b>Expenses</b>				
Program services	\$ 380,207	\$ -	\$ -	\$ 380,207
Management and general	75,997	-	-	75,997
Fundraising	17,338	-	-	17,338
<b>Total Expenses</b>	<b>\$ 473,542</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 473,542</b>
<b>Change in Net Assets From Continuing Operations</b>	<b>\$ (111,415)</b>	<b>\$ -</b>	<b>\$ 42,121</b>	<b>\$ (69,294)</b>
Discontinued operations-loss from operations of discontinued Thrift Store (including loss on disposal of \$652,269)	\$ (626,297)	\$ -	\$ -	\$ (626,297)
<b>Total Change in Net Assets</b>	<b>\$ (737,712)</b>	<b>\$ -</b>	<b>\$ 42,121</b>	<b>\$ (695,591)</b>
<b>Net Assets - Beginning of Year</b>	<b>4,249,171</b>	<b>-</b>	<b>1,465,748</b>	<b>5,714,919</b>
<b>Net Assets - End of Year</b>	<b>\$ 3,511,459</b>	<b>\$ -</b>	<b>\$ 1,507,869</b>	<b>\$ 5,019,328</b>

See Notes to the Financial Statements

**Missouri Council of the Blind  
Statement of Functional Expenses  
For the year ended August 31, 2016**

	Programs	Management and General	Fundraising	Total
Salaries and employee benefits	\$ 75,715	\$ 49,395	\$ 9,125	\$ 134,235
Donations and grants	16,875	-	-	16,875
Occupancy expense	8,400	5,480	1,012	14,892
Professional fees	15,629	10,196	1,884	27,709
Boards, committees, and dues	25,596	2,022	289	27,907
Program expense	104,538	-	3,559	108,097
Convention expenses	53,909	-	-	53,909
Summer camp	67,357	-	-	67,357
Insurance	1,667	1,088	201	2,956
Depreciation and amortization	4,855	3,168	585	8,608
Other expense	5,666	4,648	683	10,997
<b>Total Expenses</b>	<b>\$ 380,207</b>	<b>\$ 75,997</b>	<b>\$ 17,338</b>	<b>\$ 473,542</b>

See Notes to the Financial Statements

**Missouri Council of the Blind  
Statement of Cash Flows  
For the year ended August 31, 2016**

	2016
<b>Cash Flows from Operating Activities:</b>	
Change in net assets	\$ (695,591)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	8,608
Depreciation - discontinued operations	8,441
(Gain) Loss on discontinued operations	637,547
Net unrealized (gain) loss on investments	(183,051)
(Gain) Loss in value of beneficial interest in perpetual trust	(42,121)
(Gain) Loss in value of assets held in charitable lead trust	(2,114)
(Increase) Decrease in operating assets:	
Prepaid expenses	312
Increase (Decrease) in operating liabilities:	
Accounts payable	101
Changes in liability for funds held for others	3,300
Accrued liabilities	(8,108)
<b>Net cash provided (used) by operating activities</b>	<b>(272,676)</b>
 <b>Cash Flows from Investing Activities</b>	
Purchase of property and equipment	-
Proceeds (purchases) of investments, net	282,253
<b>Net cash provided (used) by investing activities:</b>	<b>282,253</b>
 <b>Cash Flows from Financing Activities</b>	
Proceeds from note payable	-
Payments on note payable	(3,966)
<b>Net cash provided (used) by financing activities</b>	<b>(3,966)</b>
 <b>Net increase (decrease) in cash</b>	<b>\$ 5,611</b>
 <b>Cash and cash equivalents - Beginning of Year</b>	<b>38,600</b>
 <b>Cash and cash equivalents - End of Year</b>	<b>\$ 44,211</b>
 <b>Noncash Investing and Financing Activities:</b>	
None	
 <b>Supplemental Disclosure of Cash Flow Information:</b>	
Cash paid for interest	<b>\$ 897</b>

See Notes to the Financial Statements

**Missouri Council of the Blind**  
**Notes to the Financial Statements**  
**For the year ended August 31, 2016**

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**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, education of legislative bodies and mini-grants to teachers of visually-impaired children.

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, 2016**

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**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 leasehold 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, 2016 is \$10,756.

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, 2016**

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**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 programs and two supporting service functions.

Program Services:

*Retail Operations:* In December 2011, the Council started a thrift store in Southern Missouri in which used clothing, furniture, and household goods are sold at bargain prices. Activities of the related warehouse processing center include collecting, cleaning, and sorting donated merchandise. Activities of the warehouse also include the sale of donated items that are not suitable for sale in the retail stores. This program has been discontinued. See Note 8.

*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, 2016**

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**Note 2 - Investments**

Investments are stated at fair value and at August 31, 2016 consist of the following:

	<u>Fair Value</u>
Cash and cash equivalents	\$ 107,241
Fixed income	283,761
Equity securities	880,811
Alternative investments	157,927
Mutual funds/ETF'S	<u>1,812,902</u>
Total	<u>\$ 3,242,642</u>

Investment income for the year ended August 31, 2016 consists of the following:

Interest and dividends	\$ 60,902
Investment fees	(31,110)
Total	<u>\$ 29,792</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, 2016**

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**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, 2016:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 107,241	\$ -	\$ -	\$ 107,241
Fixed income	283,761	-	-	283,761
Equity securities	880,811	-	-	880,811
Alternative investments	157,927	-	-	157,927
Mutual funds	1,812,902	-	-	1,812,902
Assets held in charitable lead trust	-	242,215	-	242,215
Beneficial interest in perpetual trust	-	1,507,869	-	1,507,869
Total	\$ 3,242,642	\$ 1,750,084	\$ -	\$ 4,992,726

**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, 2016, 5% of the underlying assets represents the Council's share of the fair market value of the trust principal. The increase of \$42,121 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, 2016 was \$68,250, and is reported in the Statement of Activities.

**Missouri Council of the Blind**  
**Notes to the Financial Statements**  
**For the year ended August 31, 2016**

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**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, 2016 is comprised of the following:

	Amount
Nondepreciable Assets:	
Land	\$ 27,060
Depreciable Assets:	
Building	262,651
Automobiles	-
Furniture and fixtures	37,378
Leasehold improvements	9,977
Equipment	28,757
Software	7,995
	\$ 373,818
Accumulated depreciation	(203,075)
	\$ 170,743

Depreciation and amortization expense was \$17,049 for the year ended August 31, 2016.

**Note 7 - Restricted Net Assets**

Permanently restricted net assets, which are restricted for investment in perpetuity by the donor, as of August 31, 2016 are as follows:

Beneficial interest in assets held in trust:	
Council operations	\$ 1,507,869

**Missouri Council of the Blind**  
**Notes to the Financial Statements**  
**For the year ended August 31, 2016**

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**Note 8 - Discontinued Operations**

As of November 1, 2015, the MCB Thrift Store is no longer part of the operations of the Missouri Council of the Blind. The Thrift Store is now a separate legal entity tax exempt under Section 501(c)(3) of the Internal Revenue Code.

The MCB Thrift Store is governed by a Board of directors consisting of nine members, which consist of three members from the Missouri Council of the Blind. Per the by-laws of the Thrift Store at least fifty percent of the net cash results of operation of the Thrift Store is to be donated to Missouri Council of the Blind every year.

Results from discontinued operations consist of the following:

Loss on disposal of the Thrift Store	\$ (652,269)
Revenue from Thrift Store operations	133,370
Expenses from Thrift Store operations	<u>(107,398)</u>
	\$ (626,297)

**Note 9 - Subsequent Events**

The Council has evaluated events subsequent to August 31, 2015 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through February 16, 2017, the date the financial statements were available to be issued.