



Consolidated Financial Statements, Additional Information
and Supplementary Information

for

**AMERICAN PRINTING HOUSE
FOR THE BLIND, INC.**

Years Ended September 30, 2021 and 2020
with Report of Independent Auditors

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Report of Independent Auditors

Board of Trustees
American Printing House for the Blind, Inc.
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of American Printing House for the Blind, Inc. and its subsidiary (the Organization), which comprise the consolidated statements of financial position as of September 30, 2021 and 2020, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 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.

Board of Trustees,
American Printing House for the Blind, Inc.
Report of Independent Auditors, continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Printing House for the Blind, Inc. and its subsidiary as of September 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, effective October 1, 2020, the Organization adopted Accounting Standards Update ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Additional Information on pages 34 to 37 and the accompanying Schedule of Expenditures of Federal Awards as presented on pages 38 and 39, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 audits 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2022 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 solely 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 the effectiveness of the Organization's 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.

Dean Dorton Allen Ford, PLLC

Louisville, Kentucky
February 14, 2022

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Consolidated Statements of Financial Position

September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 6,218,545	\$ 7,128,174
Investments	148,325,716	125,673,576
Investments, the use of which is limited	4,911,638	4,239,763
Accounts receivable, trade, net of allowance for bad debts	1,087,501	893,319
Government programs receivable	5,333,788	3,856,326
Split-interest agreements	2,178,117	2,182,227
Inventories, net of reserve	10,762,975	12,794,998
Prepaid expenses and other assets	594,662	507,742
Other receivable	224,000	310,400
Property and equipment, net of accumulated depreciation	2,059,881	2,379,661
Software development costs, net of amortization	<u>208,434</u>	<u>288,226</u>
Total assets	<u>\$ 181,905,257</u>	<u>\$ 160,254,412</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and customer deposits	\$ 4,293,831	\$ 2,933,031
Accrued payroll	318,969	197,715
Accrued taxes and payroll withholdings	101,700	59,229
Accrued vacation	1,183,010	1,246,418
Annuities payable	805,464	865,390
Other accrued expenses	47,811	-
Deferred revenue	109,727	-
Convertible notes payable	500,350	-
Paycheck protection loan	-	166,796
Underfunded benefit plan obligation	8,766,764	9,565,856
Deferred compensation liability	<u>1,034,185</u>	<u>1,111,146</u>
Total liabilities	17,161,811	16,145,581
Net assets:		
Without donor restrictions:		
Undesignated	161,691,306	142,875,198
Invested in property and equipment	2,059,881	2,379,661
Board-designated - accessible textbook program	2,144,239	1,997,838
Funded status of benefit plan	<u>(8,766,764)</u>	<u>(9,565,856)</u>
Total without donor restrictions	157,128,662	137,686,841
With donor restrictions:		
Purpose and time restricted	5,360,219	4,197,842
Perpetual in nature	<u>2,248,971</u>	<u>2,224,148</u>
Total with donor restrictions	<u>7,609,190</u>	<u>6,421,990</u>
Total net assets before non-controlling interest	164,737,852	144,108,831
Non-controlling interest	<u>5,594</u>	<u>-</u>
Total liabilities, net assets and non-controlling interest	<u>\$ 181,905,257</u>	<u>\$ 160,254,412</u>

See accompanying notes.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Consolidated Statements of Activities

Year ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and gains:			
Products distributed and sold	\$ 32,229,011	\$ -	\$ 32,229,011
Contributions and bequests	1,227,699	515,325	1,743,024
Grants	838,845	-	838,845
Return on investments:			
Interest and dividends	3,510,749	97,273	3,608,022
Gain on investments, net	22,945,320	784,266	23,729,586
Miscellaneous income	801,927	-	801,927
Net assets released from restrictions	<u>209,664</u>	<u>(209,664)</u>	<u>-</u>
Total support, revenues and gains	61,763,215	1,187,200	62,950,415
Expenses:			
Program expenses:			
Costs of products distributed and sold	27,427,759	-	27,427,759
Program support	<u>5,424,274</u>	<u>-</u>	<u>5,424,274</u>
Total program expenses	32,852,033	-	32,852,033
Fund-raising and development expenses	605,695	-	605,695
General and administrative expenses	7,926,117	-	7,926,117
GoodMaps, Inc. administrative expenses	<u>1,736,641</u>	<u>-</u>	<u>1,736,641</u>
Total expenses	43,120,486	-	43,120,486
Net gain for the retirement plan	<u>799,092</u>	<u>-</u>	<u>799,092</u>
Change in net assets	19,441,821	1,187,200	20,629,021
Net assets, beginning of year	<u>137,686,841</u>	<u>6,421,990</u>	<u>144,108,831</u>
Net assets, end of year	<u>\$ 157,128,662</u>	<u>\$ 7,609,190</u>	<u>\$ 164,737,852</u>

See accompanying notes.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Consolidated Statements of Activities, continued

Year ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and gains:			
Products distributed and sold	\$ 28,985,104	\$ -	\$ 28,985,104
Contributions and bequests	2,235,239	(424)	2,234,815
Grants	560,779	-	560,779
Return on investments:			
Interest and dividends	3,069,603	138,007	3,207,610
Gain (loss) on investments, net	6,311,691	(24,031)	6,287,660
Miscellaneous income	976,556	-	976,556
Net assets released from restrictions	<u>264,014</u>	<u>(264,014)</u>	<u>-</u>
Total support, revenues and gains	42,402,986	(150,462)	42,252,524
Expenses:			
Program expenses:			
Costs of products distributed and sold	23,664,306	-	23,664,306
Program support	<u>5,980,406</u>	<u>-</u>	<u>5,980,406</u>
Total program expenses	29,644,712	-	29,644,712
Fund-raising and development expenses	704,457	-	704,457
General and administrative expenses	13,542,433	-	13,542,433
GoodMaps, Inc. administrative expenses	<u>1,164,119</u>	<u>-</u>	<u>1,164,119</u>
Total expenses	45,055,721	-	45,055,721
Net gain for the retirement plan	<u>7,706,512</u>	<u>-</u>	<u>7,706,512</u>
Change in net assets	5,053,777	(150,462)	4,903,315
Net assets, beginning of year	<u>132,633,064</u>	<u>6,572,452</u>	<u>139,205,516</u>
Net assets, end of year	<u>\$ 137,686,841</u>	<u>\$ 6,421,990</u>	<u>\$ 144,108,831</u>

See accompanying notes.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Consolidated Statements of Functional Expenses

Year ended September 30, 2021

	Program					GoodMaps, Inc.	
	Program A	Program B	Total	Fund-Raising and Development	General and Administrative	Administrative Expenses	Total
Cost of materials and production	\$ -	\$ 17,161,704	\$ 17,161,704	\$ -	\$ -	\$ -	\$ 17,161,704
Labor costs	275,025	11,065,468	11,340,493	485,754	4,945,399	1,286,995	18,058,641
Supplies	8,560	852,439	860,999	6,500	164,179	1,059	1,032,737
Dues and subscriptions	985	29,205	30,190	13,088	34,087	750	78,115
Travel	-	38,508	38,508	12,755	22,548	17,511	91,322
Professional service fees	12,885	1,779,293	1,792,178	46,856	1,780,069	139,710	3,758,813
Legal fees	-	-	-	-	72,564	119,492	192,056
Public relations	3,117	59,949	63,066	2,909	524	8,341	74,840
Public education	762	3,651	4,413	300	33,196	-	37,909
Utilities and telephone	-	297,806	297,806	2,592	79,262	-	379,660
Postage	486	51,270	51,756	20,566	35,141	-	107,463
Equipment rental and maintenance	3,449	677,162	680,611	705	250,171	20,793	952,280
Insurance	4,500	39,796	44,296	-	36,813	2,359	83,468
Depreciation and amortization	4,577	235,679	240,256	-	456,756	71,360	768,372
Rent	16,800	55,000	71,800	-	(16,800)	-	55,000
Interest	-	-	-	-	-	30,163	30,163
Other	458	173,499	173,957	13,670	32,208	38,108	257,943
Total expenses by function	\$ <u>331,604</u>	\$ <u>32,520,429</u>	\$ <u>32,852,033</u>	\$ <u>605,695</u>	\$ <u>7,926,117</u>	\$ <u>1,736,641</u>	\$ <u>43,120,486</u>

Program A: APH Museum

Program B: Production and support expenses related to producing products for the blind and visually impaired.

See accompanying notes.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Consolidated Statements of Functional Expenses, continued

Year ended September 30, 2020

	Program					GoodMaps, Inc.	
	Program A	Program B	Total	Fund-Raising and Development	General and Administrative	Administrative Expenses	Total
Cost of materials and production	\$ -	\$ 13,450,815	\$ 13,450,815	\$ -	\$ -	\$ -	\$ 13,450,815
Labor costs	223,707	11,371,291	11,594,998	527,399	4,203,478	802,153	17,128,028
Supplies	4,478	759,117	763,595	3,530	136,315	1,572	905,012
Dues and subscriptions	429	34,411	34,840	4,161	28,767	8,843	76,611
Travel	175	203,992	204,167	6,639	41,663	37,774	290,243
Professional service fees	33,409	1,605,515	1,638,924	105,592	507,992	42,232	2,294,740
Legal fees	-	14,568	14,568	98	162,383	128,711	305,760
Public relations	1,945	4,660	6,605	1,239	919	44,463	53,226
Public education	627	2,614	3,241	443	14,972	-	18,656
Utilities and telephone	-	278,931	278,931	1,001	80,449	-	360,381
Postage	1,465	52,691	54,156	46,356	27,288	-	127,800
Equipment rental and maintenance	6,455	1,137,675	1,144,130	7,549	455,812	10,155	1,617,646
Insurance	2,500	38,911	41,411	-	33,256	-	74,667
Depreciation and amortization	4,858	300,931	305,789	-	510,376	71,315	887,480
Rent	16,800	46,000	62,800	-	(16,800)	-	46,000
Other	-	45,742	45,742	450	355,563	16,901	418,656
Additional pension contribution	-	-	-	-	7,000,000	-	7,000,000
Total expenses by function	\$ <u>296,848</u>	\$ <u>29,347,864</u>	\$ <u>29,644,712</u>	\$ <u>704,457</u>	\$ <u>13,542,433</u>	\$ <u>1,164,119</u>	\$ <u>45,055,721</u>

Program A: APH Museum

Program B: Production and support expenses related to producing products for the blind and visually impaired.

See accompanying notes.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Consolidated Statements of Cash Flows

Years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from customers	\$ 30,553,176	\$ 30,031,367
Cash paid to suppliers, employees, and others	(39,053,512)	(45,459,712)
Cash received from gifts and bequests	1,711,425	2,192,351
Interest and dividends	3,612,213	3,250,177
Other income and support	<u>1,473,976</u>	<u>1,537,335</u>
Net cash used in operating activities	(1,702,722)	(8,448,482)
Cash flows from investing activities:		
Proceeds from sales of marketable securities	18,801,210	39,456,052
Purchase of marketable securities	(18,099,791)	(27,469,691)
Purchase of property and equipment	(384,459)	(673,354)
Software development costs	<u>-</u>	<u>(236,248)</u>
Net cash provided by investing activities	316,960	11,076,759
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	-	166,796
Proceeds from convertible notes payable	500,350	-
Payments of annuity obligations, net	<u>(24,217)</u>	<u>(51,372)</u>
Net cash provided by financing activities	<u>476,133</u>	<u>115,424</u>
Increase (decrease) in cash and cash equivalents	(909,629)	2,743,701
Cash and cash equivalents, beginning of year	<u>7,128,174</u>	<u>4,384,473</u>
Cash and cash equivalents, end of year	<u>\$ 6,218,545</u>	<u>\$ 7,128,174</u>

Non-cash financing and investing activities

During the year ended September 30, 2021, GoodMaps, Inc. recognized \$166,796 of miscellaneous income related to the forgiveness of its Paycheck Protection Program loan.

During the year ended September 30, 2021, GoodMaps, Inc. recognized \$5,594 of stock-based compensation.

See accompanying notes.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements

1. Nature of Organization

The American Printing House for the Blind, Inc. (APH) is a non-for-profit manufacturer and distributor of products and services for people who are blind or visually impaired.

In October 2018, APH obtained control of a newly formed entity called Access Explorer, Inc. The entity was formed for the purpose of developing mapping technology for various venues. In March 2020, Access Explorer, Inc. changed its name to GoodMaps, Inc. (GM).

The consolidated financial statements include the accounts of the American Printing House for the Blind, Inc. and its wholly-owned subsidiary, GoodMaps, Inc. (collectively, the Organization). Significant intercompany transactions and accounts have been eliminated.

2. Summary of Significant Accounting Policies

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Organization in the preparation of its consolidated financial statements.

Adoption of New Accounting Standard

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The core principle of ASU 2014-09 is to recognize revenues when a customer obtains control of a good or service, in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of ASU 2014-09 by one year.

Effective October 1, 2020, the Organization adopted the requirements of ASU 2014-09 and all related amendments (the new revenue standard) to all revenue contracts using the modified retrospective method.

There was no adjustment necessary to the opening balance of net assets as a result of adopting the new revenue standard. The comparative information has not been restated and continues to be reported under the accounting standards in effect for the comparative period (Topic 605). For the year ended September 30, 2021, the Organization has determined that there are no significant differences between the amounts reported for revenue and contract assets and liabilities using Topic 605 and the accounting treatment used in accordance with the new revenue standard.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Basis of Presentation

Net assets and support, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - include the portion of expendable funds that are not subject to donor-imposed stipulations and include the following:

Undesignated: These net assets represent the portion of expendable funds available in operation of the Organization.

Invested in Property and Equipment: These net assets represent cumulative resources expended for property and equipment, less accumulated depreciation recorded.

Board-Designated - Accessible Textbook Program: These net assets represent funds designated by the Board of Trustees for the accessible textbook program. Although the Board of Trustees could release or revise the designation in the future, to the extent not externally restricted, there is no intent to do so.

Funded Status of Benefit Plan: This represents the underfunded status of the Organization's defined benefit pension plan (see Note 12).

Net assets with donor restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The investment return on net assets with donor restriction may be restricted or unrestricted according to the donor's wishes.

When a donor restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported on the consolidated statements of activities as net assets released from restrictions. The Organization treats donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with an original maturity of three months or less. Cash balances may exceed insured limits for federal deposit insurance. Management considers it very unlikely that any loss will result from the cash balance in excess of federal insurance limits.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Accounts Receivable and Other Receivable

Accounts receivable consist of amounts due from customers for sales of the Organization's products and services.

The other receivable is an advance made to a vendor of the Organization for development of a new product. The receivable is being repaid to the Organization based upon sales of the new product.

The Organization provides an allowance for bad debts based upon the anticipated collectibility of each specific account. An allowance for bad debts is recorded to the extent it is probable that a portion or all of a particular account will not be collected. In evaluating the collectibility of accounts receivable, the Organization considers a number of factors, including historical loss rates, the age of the accounts, changes in collection patterns, the status of ongoing disputes with third-party payers, and general industry conditions. Actual collections of accounts receivable in subsequent periods may require changes in the estimated provision. Changes in the estimate are charged or credited to expenses in the period of change. Receivables are considered past due based upon invoice terms, and are written off when deemed uncollectible. The Organization does not charge interest on past due accounts.

Inventories

Inventories are stated at the lower of cost or net realizable value on the first-in, first-out identification method. Labor and overhead included in work-in-process and finished goods inventories are valued at standard hourly cost rates which approximate actual costs incurred. The Organization's reserve for obsolete inventory is based on the historical demand for product sales relative to inventory levels on hand at period end, adjusted for known changes in forecasted demand, if necessary.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is 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. See Note 6 for further discussion of fair value measurements. Receipts of donated investments are recorded at the quoted market value of the investments at the time of receipt.

The Organization invests in fixed income securities, including government and corporate bonds, in publicly-traded stocks and mutual funds, and in other investment vehicles such as hedge funds. These investments are subject to the risks common to financial markets, including interest rate risks, credit risks, and overall market risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Investment Valuation and Income Recognition, continued

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Return on investments includes the Organization's gains and losses on investments bought and sold as well as held during the year.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on the straight-line basis over reasonably estimated useful lives of 3 to 40 years for the various classes of assets.

Revenue Recognition

APH's primary products include Braille and large type printed materials, recorded books in digital formats, specialized electronic equipment, and educational aids. These products are distributed to schools and agencies to educate blind or visually impaired students, individuals, and the National Library Service. Limited warranties are provided to customers for certain products that typically extend for a limited duration. Such warranties are not sold separately and do not provide customers with a service in addition to assurance of compliance with agreed-upon specifications. Historically, warranty claims have not resulted in material costs incurred.

GM's primary revenue is from services to map a customer's location and subscription services for the related mapping software.

The Organization recognizes revenue at the amount to which it expects to be entitled when control of the products or services is transferred to the customer. Control is generally transferred when the Organization has transferred to the customer all, or substantially all, of the benefits of ownership of the products or services. For APH, control transfers, and revenue is recognized, at the point in time when products are shipped. For GM, control transfers, and revenue is recognized, over the time period it takes to perform the mapping services and for subscription services, over the term of the related agreement.

For the year ended September 30, 2021, products distributed and sold includes APH revenue recognized at a point in time of \$31,863,861 and GM revenue recognized over time of \$365,150. At September 30, 2021, GM recognized deferred revenue of \$109,727 related to amounts billed to customers that will be recognized over time in future periods.

Where shipping and handling activities and costs occur after control has transferred to the customer, these activities are considered to be fulfillment activities and are not considered a separate performance obligation. Costs related to these activities are accrued when revenue is recognized.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

A portion of APH revenue is related to products distributed and sold under a Federal program (see Note 7). In accordance with the requirements of the Federal program, APH is required to sell the product at cost, which results in APH being subject to variable consideration. For each reporting period, APH calculates the profit on the products sold at their normal price and deducts this profit from amounts charged to the Federal program. For the year ended September 30, 2021, APH recognized revenue of approximately \$23,633,000 related to products distributed and sold under the Federal program.

Payment for products and services sales is collected within a short period of time following transfer of control or commencement of delivery of services, as applicable. Payment for product sales is generally due 30 days after delivery of the product. The Organization has elected to record revenue net of taxes collected from customers that are remitted to governmental authorities, with the collected taxes recorded within other current liabilities until remitted to the relevant government authority.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Organization are summarized on a functional basis in the accompanying consolidated statements of activities and functional expenses.

Directly identifiable expenses are charged to the applicable program or supporting services. Certain expenses are not directly identifiable with any specific function, but provide for the overall support and direction of the Organization, and require allocation between functions on a reasonable basis that is consistently applied. The expenses that are allocated include labor costs and facility expenses (such as utilities and telephone, equipment rental and maintenance, and depreciation). Labor costs are allocated based upon the time the respective individual dedicates to program activities, fund-raising and development, and administrative duties. Facility expenses are allocated on a square footage basis.

Donated Goods and Services

Property, materials, and other in-kind assets received as donations are recorded and reflected in the accompanying consolidated financial statements at their estimated fair values at the date of receipt.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Research and Development

Research and development costs of APH are expensed when incurred.

Research and development costs related to the development of GM's software are capitalized. Capitalization of costs commenced when technological feasibility was established. Capitalization ceased and amortization commenced during the year ended September 30, 2020 when the software was available for general release to customers.

Software development costs consisted of the following as of September 30:

	<u>2021</u>	<u>2020</u>
Software development costs	\$ 320,668	\$ 354,740
Accumulated amortization	<u>(112,234)</u>	<u>(66,514)</u>
Total	<u>\$ 208,434</u>	<u>\$ 288,226</u>

Amortization of software development costs amounted to \$64,133 and \$66,514 for the years ended September 30, 2021 and 2020, respectively.

Advertising Costs

Advertising costs are expensed when incurred. Advertising costs totaled \$35,460 and \$36,353 for the years ended September 30, 2021 and 2020, respectively.

Income Taxes

APH is a not-for-profit entity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Although APH is exempt from income taxes, any income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511. APH generated no material unrelated business income for the years ended September 30, 2021 and 2020.

GM files Federal, state and local income tax returns as a C-corporation. Deferred taxes for GM are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Deferred taxes relate to net operating loss carryforwards, which have a 100% allowance.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Forgivable Loan

On April 6, 2020, GM received a Paycheck Protection Program (PPP) loan under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the PPP loan, subject to limitations, based on the use of loan proceeds for payment of eligible expenses (payroll costs and payments of mortgage interest, rent and utilities). The Organization accounts for the PPP loan as debt.

The PPP loan amount and accrued interest was included in liabilities on the consolidated balance sheet as of September 30, 2020. Amounts of the PPP loan forgiven are recognized as gains upon extinguishment of the debt when legal release is provided to the Organization. In March 2021, GM received notification that the Small Business Administration approved its PPP loan forgiveness application and remitted the forgiveness amount of \$166,796 to the lender. As such, the amount forgiven during the year ended September 30, 2021 is included in miscellaneous income on the consolidated statements of activities.

GM also applied for and received an Economic Injury Disaster Loan (EIDL) Advance of \$10,000. An EIDL Advance is not required to be repaid, however, entities that received an EIDL Advance in addition to the PPP loan may have the amount of the EIDL Advance subtracted from the forgiveness amount of their PPP loan. The EIDL Advance was included in miscellaneous income in the consolidated statement of activities for the year ended September 30, 2020.

COVID-19 Impact

During March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a pandemic. COVID-19 continues to impact worldwide economic activity and financial markets. The Company is closely monitoring the impact of the COVID-19 pandemic on all aspects of its operations. The Organization's investments are subject to potential loss arising from adverse changes in quoted market prices. The Organization's management will continue to monitor its investment holdings as it has done in the past, but has no immediate plans to change its investment portfolio. The continued spread of the disease also represents a significant risk that the Organization's operations could be disrupted in the near future. Since the situation surrounding the COVID-19 pandemic remains fluid, the long-term duration, nature and extent of the effects on the Organization cannot be reasonably estimated at this time.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, requiring all leases to be recognized on the Organization's consolidated statement of financial position as a right-of-use asset and a lease liability, unless the lease is a short term lease (generally a lease with a term of twelve months or less). At the commencement date of the lease, the Organization will recognize: 1) a lease liability for the Organization's obligation to make payments under the lease agreement, measured on a discounted basis; and 2) a right-of-use asset that represents the Organization's right to use, or control the use of, the specified asset for the lease term. The ASU originally required recognition and measurement of leases at the beginning of the earliest period presented using a modified retrospective transition method. In July 2018, the FASB issued ASU 2018-11, which provided an additional (and optional) transition method that permits application of the updated standard at the adoption date with recognition of a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date of ASU 2016-02. The updated standard will be effective for the Organization for the year ending September 30, 2023, with early adoption permitted. The Organization has not yet selected a transition method and is currently evaluating the effect that the new standard will have on its consolidated financial statements.

Subsequent Events

Management has evaluated subsequent events for recognition or disclosure in the consolidated financial statements through February 14, 2022, which was the date at which the consolidated financial statements were available to be issued.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the consolidated statement of financial position, comprise the following as of September 30, 2021:

Cash and cash equivalents	\$ 6,218,545
Investments	148,325,716
Accounts receivable trade, net	1,087,501
Government programs receivable	5,333,788
Other receivable	<u>224,000</u>
Total financial assets without donor restrictions	161,189,550
Board-designated net assets	<u>(2,144,239)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$159,045,311</u>

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

3. Liquidity and Availability, continued

Donor-restricted endowment funds are not available for general expenditure, however, income from donor-restricted endowments is available for general use (see Note 11).

The Board-designated net assets are restricted to expenditures related to the accessible textbook program. Although the Organization does not intend to spend from this Board-designated endowment (other than amounts appropriated for expenditures on the accessible textbook program as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

In addition to financial assets available to meet general expenditures over the next year, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

4. Split-Interest Agreements

The Organization has a lead interest in various split-interest agreements which provide periodic payments in perpetuity. The fair value of the contribution has been estimated based on the present value of estimated future distributions expected to be received, discounted at a rate of 4%. The present value of these agreements amounted to \$2,077,500 as of September 30, 2021 and 2020.

The Organization also has a remainder interest in a split-interest agreement from an irrevocable trust created by a donor. The fair value of the contribution from this agreement has been estimated and recorded based on the fair value of the assets contributed by the donor, adjusted for the present value of the payments expected to be made first to other beneficiaries. The adjusted payout rate to the beneficiaries is 5%. Actuarial assumptions are based on a single life expectancy. The beneficial interest under this agreement amounted to \$100,617 and \$104,727 at September 30, 2021 and 2020, respectively. These amounts are adjusted annually to reflect the amortization of discount and changes in actuarial assumptions.

5. Investments

Most long-term investments are held in three investment pools. Pool A is for amounts designated by the Board of Trustees for long-term investment, gifts creating annuity trusts, and also for permanent endowments and the net appreciation on those endowments. Pool B is for permanent endowments and the net appreciation of those endowments and for funding research and development. Pool C is for other investments.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

5. Investments, continued

The participation in the pools and ownership of the investments included in each type of net assets as reflected on the consolidated statements of financial position are as follows:

	<u>Pool A</u>	<u>Pool B</u>	<u>Pool C</u>	<u>Total</u>
<u>September 30, 2021</u>				
With donor restrictions	\$ 102,744	\$ 4,808,894	\$ -	\$ 4,911,638
Without donor restrictions	<u>124,647,739</u>	<u>-</u>	<u>23,677,977</u>	<u>148,325,716</u>
Total	<u>\$124,750,483</u>	<u>\$ 4,808,894</u>	<u>\$ 23,677,977</u>	<u>\$153,237,354</u>
<u>September 30, 2020</u>				
With donor restrictions	\$ 102,744	\$ 4,137,019	\$ -	\$ 4,239,763
Without donor restrictions	<u>102,856,612</u>	<u>-</u>	<u>22,816,964</u>	<u>125,673,576</u>
Total	<u>\$102,959,356</u>	<u>\$ 4,137,019</u>	<u>\$ 22,816,964</u>	<u>\$129,913,339</u>

6. Fair Value Measurements

The Organization classifies its assets and liabilities measured at fair value based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available), and Level 3 (valued based on significant unobservable inputs). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities at fair value. There have been no changes in the methodologies used to determine fair value at September 30, 2021 and 2020.

Money market funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Certificates of deposit: Valued at cost plus accrued interest, which approximates fair value..

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Corporate stocks: Valued at unadjusted quoted prices for identical assets in active markets.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

6. Fair Value Measurements, continued

Corporate bonds and government securities: Valued at unadjusted quoted prices for similar assets in active markets or valued at unadjusted quoted prices for identical assets in inactive markets.

Hedge funds: Valued at the NAV of the units of participation in the fund. The hedge funds are valued at fair value based on audited financial information provided by the fund of the fair value of the underlying assets.

Split interest agreements: Valued based on the present value of the estimated future benefits expected to be received by the Organization (see Note 4).

Annuities payable: Valued based on the present value of the estimated future payments expected to be made by the Organization to the annuitants (see Note 13).

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair values of the Organization's investments are based on third-party pricing information without adjustment. As permitted under the accounting guidance for fair value disclosures, the Organization has not provided quantitative information about the significant unobservable inputs used in the fair value measurements of these securities.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

6. Fair Value Measurements, continued

The following tables set forth by level within the fair value hierarchy the Organization's assets and liabilities at fair value:

	Level 1	Level 2	Level 3	Total
<u>September 30, 2021</u>				
Money market funds	\$ 12,864,076	\$ -	\$ -	\$ 12,864,076
Certificates of deposit	10,280,097	-	-	10,280,097
Mutual funds:				
Fixed income	32,858,471	-	-	32,858,471
Equity	66,311,792	-	-	66,311,792
Other	229,629	-	-	229,629
Corporate stocks	29,582,497	-	-	29,582,497
Corporate bonds	-	957,423	-	957,423
Government securities	-	143,504	-	143,504
Hedge funds	-	-	9,865	9,865
Total investments	152,126,562	1,100,927	9,865	153,237,354
Split interest agreements	-	-	2,178,117	2,178,117
Annuities payable	-	-	(805,464)	(805,464)
Total assets and liabilities at fair value	<u>\$ 152,126,562</u>	<u>\$ 1,100,927</u>	<u>\$ 1,382,518</u>	<u>\$ 154,610,007</u>
<u>September 30, 2020</u>				
Money market funds	\$ 8,167,673	\$ -	\$ -	\$ 8,167,673
Certificates of deposit	11,123,081	-	-	11,123,081
Mutual funds:				
Fixed income	31,675,181	-	-	31,675,181
Equity	55,374,466	-	-	55,374,466
Other	240,190	-	-	240,190
Corporate stocks	21,889,543	-	-	21,889,543
Corporate bonds	-	1,157,608	-	1,157,608
Government securities	-	170,937	-	170,937
Hedge funds	-	-	114,660	114,660
Total investments	128,470,134	1,328,545	114,660	129,913,339
Split interest agreements	-	-	2,182,227	2,182,227
Annuities payable	-	-	(865,390)	(865,390)
Total assets and liabilities at fair value	<u>\$ 128,470,134</u>	<u>\$ 1,328,545</u>	<u>\$ 1,431,497</u>	<u>\$ 131,230,176</u>

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

6. Fair Value Measurements, continued

To assess the appropriate classification of assets and liabilities within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of assets and liabilities from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. The Organization's management evaluates the significance of transfers between levels based upon the nature of the assets and liabilities and size of the transfer relative to total net assets. For both the years ended September 30, 2021 and 2020, there were no significant transfers in or out of Level 3.

The following table reconciles the beginning of year and end of year balances of the Level 3 assets and liabilities for the years ended September 30:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 1,431,497	\$ 1,363,625
Sales	(93,241)	(31,778)
Actuarial change	31,599	42,464
Payments to annuitants	24,217	51,372
Realized gains (losses)	(15,019)	13,075
Unrealized gain (losses)	<u>3,465</u>	<u>(7,261)</u>
Balance, end of year	<u>\$ 1,382,518</u>	<u>\$ 1,431,497</u>

The table below sets forth the fair value of investments in certain entities that calculated net asset value per share (or its equivalent):

Investment	Fair Value at September 30		Unfunded Commitment	Redemption Frequency	Redemption Notice Period
	2021	2020			
Multi-strategy hedge funds (a)	\$ 9,865	\$ 114,660	\$ -	Semi- annual and Semi-monthly	5 - 95 days

- (a) This category consists of hedge funds that invest in a variety of managers and strategies. The fair values of the investments in this category have been estimated using the net asset value of the Organization's capital balance.

7. Government Programs Receivable

The Organization receives Federal government subsidies each year designated for providing materials, research and development, and other services to schools and institutions for the blind or visually impaired. The subsidies grant amounted to \$34,431,000 and \$32,431,000 for the years ended September 30, 2021 and 2020, respectively. The balance of this account at September 30, 2021 and 2020 includes, in part, amounts drawn in excess of the available subsidies provided for the year to the schools and agencies but collectible from them from subsequent subsidies.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

8. Inventories

Inventories consist of the following as of September 30:

	<u>2021</u>	<u>2020</u>
Finished goods	\$ 8,087,490	\$ 8,198,881
Work-in-process	766,956	1,087,118
Raw materials	3,783,529	3,787,295
Less reserve for obsolete or excess inventory	<u>(1,875,000)</u>	<u>(278,296)</u>
Total	<u>\$ 10,762,975</u>	<u>\$ 12,794,998</u>

9. Property and Equipment

The following is a summary of property and equipment, at cost, less accumulated depreciation as of September 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 92,433	\$ 92,433
Buildings and improvements	7,974,642	7,919,315
Machinery and equipment	3,776,529	3,684,631
Office equipment	<u>4,270,687</u>	<u>4,095,934</u>
	16,114,291	15,792,313
Less accumulated depreciation	<u>(14,054,410)</u>	<u>(13,412,652)</u>
Total	<u>\$ 2,059,881</u>	<u>\$ 2,379,661</u>

Total depreciation expense was \$704,239 and \$820,966 for the years ended September 30, 2021 and 2020, respectively.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

10. Net Assets With Donor Restrictions

Net assets with donor restrictions as of September 30, 2021 and 2020 are restricted for the following purpose:

	<u>2021</u>	<u>2020</u>
Subject to the passage of time:		
Assets held under split-interest agreements	\$ 2,178,117	\$ 2,182,227
Subject to expenditure for specified purpose	519,435	-
Endowments:		
Earnings on perpetual endowment subject to endowment spending policy and appropriation	2,662,667	2,015,615
Funds held in perpetuity	<u>2,248,971</u>	<u>2,224,148</u>
Total endowments	<u>4,911,638</u>	<u>4,239,763</u>
Total net assets with donor restrictions	<u>\$ 7,609,190</u>	<u>\$ 6,421,990</u>

Net assets released from restrictions during the years ended September 30, 2021 and 2020 are due to APH's spending policy appropriating earnings on the restricted endowment for general use in the Organization.

11. Net Asset Endowment

APH's endowment fund consists of Board-designated funds for the accessible textbook program and donor-imposed restricted funds. Net assets associated with the endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of APH has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the spending power of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies, as permanently restricted net assets, the original value of gifts donated to the permanent endowment, original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument or to maintain spending power. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

11. Net Asset Endowment, continued

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Organization and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Organization; and (7) the investment and spending policies of the Organization.

Endowment net asset composition by type of fund was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>September 30, 2021</u>			
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 2,248,971	\$ 2,248,971
Accumulated investment returns	-	2,662,667	2,662,667
Board-designated endowment funds	<u>2,144,239</u>	<u>-</u>	<u>2,144,239</u>
Total	<u>\$ 2,144,239</u>	<u>\$ 4,911,638</u>	<u>\$ 7,055,877</u>
<u>September 30, 2020</u>			
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 2,224,148	\$ 2,224,148
Accumulated investment returns	-	2,015,615	2,015,615
Board-designated endowment funds	<u>1,997,838</u>	<u>-</u>	<u>1,997,838</u>
Total	<u>\$ 1,997,838</u>	<u>\$ 4,239,763</u>	<u>\$ 6,237,601</u>

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

11. Net Asset Endowment, continued

The changes in endowment net assets were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, October 1, 2019	\$ 1,860,205	\$ 4,389,801	\$ 6,250,006
Investment return:			
Investment income	41,741	138,007	179,748
Net appreciation (depreciation) - realized and unrealized	110,229	(24,031)	86,198
Appropriation of endowment assets pursuant to spending policy	-	(264,014)	(264,014)
Distribution from Board-designated endowment	<u>(14,337)</u>	<u>-</u>	<u>(14,337)</u>
Endowment net assets, September 30, 2020	1,997,838	4,239,763	6,237,601
Investment return:			
Investment income	37,317	97,273	134,590
Net appreciation - realized and unrealized	124,765	784,266	909,031
Appropriation of endowment assets pursuant to spending policy	-	(209,664)	(209,664)
Distribution from Board-designated endowment	<u>(15,681)</u>	<u>-</u>	<u>(15,681)</u>
Endowment net assets, September 30, 2021	<u>\$ 2,144,239</u>	<u>\$ 4,911,638</u>	<u>\$ 7,055,877</u>

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of September 30, 2021 and 2020.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

11. Net Asset Endowment, continued

Return Objectives and Risk Parameters

APH has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that APH must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results to mirror those of major indexes while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, APH relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). APH targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

APH has a policy of appropriating distributions based on the endowment fund's average fair value over the prior three years through the year end preceding the fiscal year in which the distribution is planned. In establishing this policy, APH considered the long-term expected return on its endowment. Accordingly, over the long term, APH expects the current spending policy to allow its endowment to maintain the fair value of the original gift. This is consistent with APH's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

12. Retirement Plan

APH maintains a qualified, non-contributory defined benefit pension plan for eligible employees who have attained the age of 21. To remain eligible, an employee must work at least 1,000 hours each year after completion of one year of service. The plan was amended effective January 1, 2009 such that any employee hired or rehired after January 1, 2009 will not be eligible to participate in the plan. Employees rehired after January 1, 2009 may count additional years of service after rehire for purposes of vesting in any benefit earned prior to January 1, 2009 and for the purposes of determining eligibility for early retirement. The plan was further amended on November 19, 2020, effective January 31, 2021. The amendment resulted in accrued benefits as of January 31, 2021 being frozen. The amendment included the following:

- Covered compensation was frozen as of January 31, 2021, and will not increase after that date. Monthly earnings earned or paid to a participant after January 31, 2021 will not be taken into account in determining a participant's average monthly earnings.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

12. Retirement Plan, continued

- Credited service of any participant will not increase after January 31, 2021. Service performed on or after February 1, 2021 will no longer be taken into account for purposes of computing service for benefit accrual purposes under the plan, but will be taken into account for purposes of determining a participant's early retirement date.

The amendment also changed the calculation of retirement benefits for participants who remain employed by APH until their normal retirement age. For participants who separated from APH prior to January 1, 2021, the benefit is calculated as: 1.2% of the participant's average monthly earnings multiplied by the participant's credited service, plus 0.5% of the participant's average monthly earnings in excess of the participant's covered compensation, with such amount multiplied by the participant's credited service (not to exceed 35 years). For participants who separate from APH on or after January 1, 2021, the benefit is calculated as the greater of:

- 1.32% of one-twelfth of the participant's 2020 earnings (as defined in the plan agreement) multiplied by the participant's credited service, plus 0.5% of one-twelfth of the participant's 2020 earnings in excess of the participant's covered compensation, with such amount multiplied by the participant's credited service (not to exceed 35 years); or
- 1.32% of the participant's average monthly earnings multiplied by the participant's credited service, plus 0.5% of the participant's average monthly earnings in excess of the participant's covered compensation, with such amount multiplied by the participant's credited service (not to exceed 35 years).

The amendment allowed participants to elect to receive early retirement benefits by making such an election between December 1, 2020 and March 31, 2021 (the early retirement window). Participants electing early retirement retired at a date designated by APH between January 1, 2021 and September 30, 2021. The amendment defined eligibility for the early retirement window as:

- Participants who had attained the age of 60, but not reached age 65, by January 1, 2021.
- The participant was employed by APH on December 31, 2020.
- The participant had a deferred vested accrued benefit with an actuarial value of more than \$5,000, which the participant had not begun to receive.

Benefits paid to retirees are based on age at retirement, years of service credit, and average compensation in accordance with the above. The Organization's funding policy is to contribute the larger of the amount required to fully fund the plan's current liability or the amount necessary to meet the funding requirements, as defined by the IRC. Employer contributions totaling \$1,800,000 and \$8,373,517 were made during the years ended September 30, 2021 and 2020, respectively, for the plan. Benefits of \$2,240,843 and \$2,865,337 were paid during the years ended September 30, 2021 and 2020, respectively, for the plan.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

12. Retirement Plan, continued

Obligations and Funded Status

The benefit obligations, plan assets and funded status of APH's pension plan were as follows as of September 30:

	<u>2021</u>	<u>2020</u>
Obligations and funded status:		
Fair value of plan assets	\$ 49,364,926	\$ 43,708,304
Projected benefit obligation	<u>58,131,690</u>	<u>53,274,160</u>
Funded status at end of year	<u>\$ (8,766,764)</u>	<u>\$ (9,565,856)</u>
Amounts recognized on the consolidated statement of financial position:		
Underfunded benefit plan obligation	<u>\$ 8,766,764</u>	<u>\$ 9,565,856</u>

The accumulated benefit obligation for the plan was \$58,131,690 and \$49,222,991 at September 30, 2021 and 2020, respectively. In comparing the fair value of the plan's assets as of September 30, 2021 and 2020 to the accumulated benefit obligation, the plan is underfunded by \$8,766,764 and \$5,514,687, respectively.

Components of the annual net periodic benefit costs for the defined benefit plan were as follows as of September 30:

	<u>2021</u>	<u>2020</u>
Service cost	\$ -	\$ 1,012,255
Interest cost	1,570,268	1,643,672
Amortization of net loss	1,141,777	1,795,568
Expected return on plan assets	<u>(3,295,584)</u>	<u>(2,657,390)</u>
Net periodic benefit costs	<u>\$ (583,539)</u>	<u>\$ 1,794,105</u>

Assumptions

The following are the weighted-average assumptions used to determine benefit obligations and net periodic cost as of September 30:

	<u>2021</u>	<u>2020</u>
In computing ending obligations:		
Discount rate	2.75%	3.00%
Rate of compensation increase	N/A	3.00
In computing expected return on assets	7.50	7.50

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

12. Retirement Plan, continued

Plan Assets

APH's Board of Trustees has established an investment policy for the plan. The general investment principles of the policy require that investments be made solely in the interest of the beneficiaries, that the plan be invested with care, skill, prudence, and diligence, that the plan be reasonably diversified to reduce the risk of large losses, that the Board may employ one or more investment managers to attain plan objectives, and that cash is to be employed productively at all times.

The investment management policy of the plan requires the investment managers to preserve capital, ensure that the risk is commensurate with the given investment style and objectives, and to adhere to the investment management styles for which the investment manager is hired. The goals of each investment manager are to meet or exceed the market index or benchmark selected by the Board and to display an overall level of risk in the portfolio that is consistent with the established benchmark.

The investment policy requires an asset mix of a minimum of 65% of equity securities and a maximum of 75% with a preferred target of 70% and for a minimum of 25% of fixed income securities and a maximum of 35% with a preferred target of 30%.

The long-term rate of return on assets is consistent with the historical performance of the plan assets as managed under the investment policy. Management anticipates that over a long period of time this will be the best estimate of future experience under the plan with regard to the explicit assumptions. Management anticipates that the current investment policy administered over a long period of time to current and future plan assets will result in plan assets accumulating at a rate consistent with the rate selected by management for the assumptions.

The following tables set forth by level within the fair value hierarchy the pension plan assets by asset category at fair value as of September 30:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>September 30, 2021</u>				
Money market funds	\$ 5,641,956	\$ -	\$ -	\$ 5,641,956
Government securities	-	705,110	-	705,110
Corporate bonds	-	5,281,376	-	5,281,376
Mutual funds:				
Stocks	4,434,446	-	-	4,434,446
Fixed income	20,028,065	-	-	20,028,065
Corporate stocks	<u>13,273,973</u>	<u>-</u>	<u>-</u>	<u>13,273,973</u>
Total assets at fair value	<u>\$ 43,378,440</u>	<u>\$ 5,986,486</u>	<u>\$ -</u>	<u>\$ 49,364,926</u>

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

12. Retirement Plan, continued

Plan Assets, continued

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>September 30, 2020</u>				
Money market funds	\$ 6,822,408	\$ -	\$ -	\$ 6,822,408
Government securities	-	535,244	-	535,244
Corporate bonds	-	3,862,160	-	3,862,160
Mutual funds:				
Stocks	3,357,972	-	-	3,357,972
Fixed income	18,389,475	-	-	18,389,475
Corporate stocks	<u>10,741,045</u>	<u>-</u>	<u>-</u>	<u>10,741,045</u>
Total assets at fair value	<u>\$ 39,310,900</u>	<u>\$ 4,397,404</u>	<u>\$ -</u>	<u>\$ 43,708,304</u>

Estimated future benefit payments from the plan, which reflect expected future service, as appropriate, are expected to be paid as follows for the year ending September 30:

2022	\$ 3,025,102
2023	3,109,249
2024	3,123,008
2025	3,153,170
2026	3,148,272
2027-2030	15,909,640

Deferred Compensation Plan

APH also has a non-qualified, executive deferred compensation plan covering certain key employees. The Organization may, at its option, make employer contributions to the key employees' deferral accounts. Employer contributions totaling \$135,473 and \$127,131 were made to the deferred compensation plan in the years ended September 30, 2021 and 2020, respectively. The Organization's liability for the deferred compensation plan totaled \$1,034,185 and \$1,111,146 at September 30, 2021 and 2020, respectively.

13. Charitable Gift Annuities

APH by action of its Board of Trustees, previously adopted a plan that allows the acceptance of charitable gifts from individual contributors through either single or two-life gift annuities.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

13. Charitable Gift Annuities, continued

A charitable gift annuity is a plan by which a gift of cash or property is made to a qualified organization in exchange for the organization's agreement to pay a life annuity to the donor. The present value portion of the annuity obligation is recorded as a payable and the difference between the present value of the obligation and the fair value of the principal contributed is recognized as a donor-restricted contribution. Income earned on this principal is unrestricted. The charitable gift annuities are discounted using the IRC's Applicable Federal Rate for the month the annuity is received by the Organization.

APH received \$4,972 for charitable annuities during the year ended September 30, 2021. APH received no funds for charitable annuities during the year ended September 30, 2020.

A total of \$29,189 and \$51,372 was paid out on annuity contracts during the years ended September 30, 2021 and 2020, respectively.

14. Employee Benefit Plan

APH established a 401(k) plan effective July 1, 1999 and all employees employed as of that date were eligible to participate. Employees hired after that date must complete a year of service and attain age 21 to be eligible to participate in the 401(k) plan. The plan allows all new employees and rehires to be automatically enrolled in the plan at a rate of 4% of eligible wages, including immediate eligibility for APH's matching funds. Participants in the plan may make voluntary deferrals by payroll deduction up to the maximum allowed under the IRC. APH makes matching contributions each year of up to 4% of each participant's eligible compensation. Discretionary contributions may also be made by APH each year for allocation to all eligible employees. APH's contributions to the plan were \$649,037 and \$642,986 for the years ended September 30, 2021 and 2020, respectively.

15. Equipment Lease Obligations

The Organization is obligated under leases for copiers used in the production process. The leases expired over various terms through 2021, but were subsequently renewed during 2021. The leases are accounted for as operating leases, with monthly rental payments ranging from \$245 to \$8,350. Rent expense on these leases totaled \$74,919 and \$134,810 for the years ended September 30, 2021 and 2020, respectively.

Minimum future lease payments under long-term equipment leases are as follows for the year ending September 30:

2022	\$ 109,532
2023	106,082
2024	<u>61,244</u>
Total	<u>\$ 276,858</u>

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

16. Line of Credit

In September 2021, APH entered into a line of credit agreement with a bank for a total amount of \$5,000,000, with interest at the daily LIBOR rate (0.07% at September 30, 2021), plus 2.0%. The line of credit agreement matures on September 30, 2022. There were no borrowings on the line of credit as of September 30, 2021.

17. Convertible Notes Payable

In January 2021, GM issued the Series 2021A convertible notes payable for an amount of \$500,350. The notes have a maturity date of January 8, 2023 and accrue interest at the rate of 8% per annum. All principal and interest is due at the maturity date unless the notes have been converted or repaid prior to that date.

The outstanding principal amount and accrued and unpaid interest is automatically converted into shares of GM upon any equity securities financing (including a convertible debt offering) occurring prior to the maturity date with aggregate gross proceeds to GM of at least \$1,000,000. Shares issued upon conversion will be calculated as the outstanding principal balance of and accrued and unpaid interest on the notes as of the date of conversion multiplied by 1.25 and divided by the price per share paid by the purchasers in such qualifying event.

The notes may also be converted with the written consent of the Requisite Majority (holders of at least 80% of the then outstanding principal balance of all notes) and GM into such securities and on such terms as approved by the Requisite Majority.

Upon a change of control of GM, GM is required to repurchase the notes at a purchase price equal to the sum of 150% of the aggregate principal amount of this notes plus all accrued and unpaid interest.

18. GoodMaps, Inc. Stock

The following represents the stock authorized, and issued and outstanding of GM:

	<u>Authorized</u>	<u>Issued and Outstanding</u>	
		<u>2021</u>	<u>2020</u>
Class A common stock, voting, par value of \$0.0001	8,500,000	8,500,000	8,500,000
Class B common stock, non- voting, par value of \$0.0001	1,500,000	559,377	-
Preferred stock, par value of \$0.0001	1,000,000	-	-

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to Consolidated Financial Statements, continued

17. GoodMaps, Inc. Stock, continued

The Class A common stock are held by APH. Employees and other third parties hold the Class B common stock, and represent the non-controlling interest on the consolidated statement of financial position. The rights and privileges of the Class A and Class B common stock are identical other than the Class A common stock have all of the voting rights and the Class B common stock are non-voting shares. The rights and privileges of the preferred stock will be determined if they are issued.

The Class B common stock were issued under GM's Stock and Incentive Compensation Plan (the Plan) that was established on February 7, 2020. The awards made under the plan vest over a period of three years. The grant date fair value of the awards was \$0.01, as calculated by an independent third party.

During the year ended September 30, 2020, awards totalling \$1,025,000 were made under the Plan. Of these awards, 559,377 vested during the year ended September 30, 2021. During the year ended September 30, 2021, 87,500 of the awards were forfeited. As of September 30, 2021, 378,123 of the awards are unvested.

During the year ended September 30, 2021, compensation cost of \$5,594 was recognized in the consolidated statement of activities. As of September 30, 2021, \$3,780 of compensation will be recognized over the remaining service period.

ADDITIONAL INFORMATION

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Schedules of Cost of Products Distributed

Years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
American Printing House for the Blind, Inc.		
Inventory, beginning of year	\$ 12,794,998	\$ 11,962,972
Costs of goods manufactured	<u>25,283,567</u>	<u>24,496,332</u>
Cost of goods available for distribution	38,078,565	36,459,304
Inventory, end of year	<u>10,762,975</u>	<u>12,794,998</u>
Total cost of products distributed and sold - American Printing House for the Blind, Inc.	27,315,590	23,664,306
Cost of products distributed and sold - GoodMaps, Inc.	<u>112,169</u>	<u>-</u>
Total cost of products distributed and sold	<u>\$ 27,427,759</u>	<u>\$ 23,664,306</u>

See Report of Independent Auditors.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Consolidating Statement of Financial Position

September 30, 2021

	American Printing House for the Blind, Inc.	GoodMaps, Inc.	Eliminations	Consolidated Total
Assets				
Cash and cash equivalents	\$ 6,208,627	\$ 9,918	\$ -	\$ 6,218,545
Investments	148,325,716	-	-	148,325,716
Investments, the use of which is limited	4,911,638	-	-	4,911,638
Investment in subsidiary	(533,930)	-	533,930	-
Accounts receivable, trade, net of allowance for bad debts	984,257	103,244	-	1,087,501
Government programs receivable	5,333,788	-	-	5,333,788
Split-interest agreements	2,178,117	-	-	2,178,117
Inventories, net of reserve	10,762,975	-	-	10,762,975
Prepaid expenses and other assets	552,604	42,058	-	594,662
Other receivable	224,000	-	-	224,000
Property and equipment, net of accumulated depreciation	2,036,353	23,528	-	2,059,881
Software development costs, net of amortization	-	208,434	-	208,434
Total assets	<u>\$ 180,984,145</u>	<u>\$ 387,182</u>	<u>\$ 533,930</u>	<u>\$ 181,905,257</u>

See Report of Independent Auditors.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Consolidating Statement of Financial Position, continued

September 30, 2021

	American Printing House for the Blind, Inc.	GoodMaps, Inc.	Eliminations	Consolidated Total
Liabilities and Net Assets				
Liabilities:				
Accounts payable and customer deposits	\$ 4,127,558	\$ 166,273	\$ -	\$ 4,293,831
Accrued payroll	259,970	58,999	-	318,969
Accrued taxes and payroll withholdings	69,342	32,358	-	101,700
Accrued vacation	1,183,010	-	-	1,183,010
Annuities payable	805,464	-	-	805,464
Other accrued expenses	-	47,811	-	47,811
Deferred revenue	-	109,727	-	109,727
Convertible notes payable	-	500,350	-	500,350
Underfunded benefit plan obligation	8,766,764	-	-	8,766,764
Deferred compensation liability	<u>1,034,185</u>	<u>-</u>	<u>-</u>	<u>1,034,185</u>
Total liabilities	16,246,293	915,518	-	17,161,811
Net assets and stockholder's equity:				
Without donor restrictions:				
Undesignated	161,714,834	-	(23,528)	161,691,306
Invested in property and equipment	2,036,353	-	23,528	2,059,881
Board-designated - accessible textbook program	2,144,239	-	-	2,144,239
Funded status of benefit plan	<u>(8,766,764)</u>	<u>-</u>	<u>-</u>	<u>(8,766,764)</u>
Total without donor restrictions	157,128,662	-	-	157,128,662
With donor restrictions:				
Purpose and time restricted	5,360,219	-	-	5,360,219
Perpetual in nature	<u>2,248,971</u>	<u>-</u>	<u>-</u>	<u>2,248,971</u>
Total with donor restrictions	7,609,190	-	-	7,609,190
Total net assets	164,737,852	-	-	164,737,852
GoodMaps, Inc. stockholders' equity	<u>-</u>	<u>(528,336)</u>	<u>528,336</u>	<u>-</u>
Total net assets and stockholder's equity before non-controlling interest	164,737,852	(528,336)	528,336	164,737,852
Non-controlling interest	<u>-</u>	<u>-</u>	<u>5,594</u>	<u>5,594</u>
Total liabilities, net assets and stockholders' equity	\$ <u>180,984,145</u>	\$ <u>387,182</u>	\$ <u>533,930</u>	\$ <u>181,905,257</u>

See Report of Independent Auditors.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Consolidating Statement of Activities

Year ended September 30, 2021

	American Printing House for the Blind, Inc.			GoodMaps, Inc.	Eliminations	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total			
Support, revenues and gains:						
Products distributed and sold	\$ 31,863,861	\$ -	\$ 31,863,861	\$ 365,150	\$ -	\$ 32,229,011
Contributions and bequests	1,227,699	515,325	1,743,024	-	-	1,743,024
Grants	838,845	-	838,845	-	-	838,845
Return on investments:						
Interest and dividends	3,509,517	97,273	3,606,790	1,232	-	3,608,022
Gain on investments, net	22,945,320	784,266	23,729,586	-	-	23,729,586
Miscellaneous income	633,706	-	633,706	168,221	-	801,927
Loss from subsidiary	(1,314,207)	-	(1,314,207)	-	1,314,207	-
Net assets released from restrictions	<u>209,664</u>	<u>(209,664)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support, revenues and gains	59,914,405	1,187,200	61,101,605	534,603	1,314,207	62,950,415
Expenses:						
Program expenses:						
Costs of products distributed and sold	27,315,590	-	27,315,590	112,169	-	27,427,759
Program support	<u>5,424,274</u>	<u>-</u>	<u>5,424,274</u>	<u>-</u>	<u>-</u>	<u>5,424,274</u>
Total program expenses	32,739,864	-	32,739,864	112,169	-	32,852,033
Fund-raising and development expenses	605,695	-	605,695	-	-	605,695
General and administrative expenses	7,926,117	-	7,926,117	-	-	7,926,117
GoodMaps, Inc. expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,736,641</u>	<u>-</u>	<u>1,736,641</u>
Total expenses	41,271,676	-	41,271,676	1,848,810	-	43,120,486
Net gain for the retirement plan	<u>799,092</u>	<u>-</u>	<u>799,092</u>	<u>-</u>	<u>-</u>	<u>799,092</u>
Change in net assets/Net loss	<u>\$ 19,441,821</u>	<u>\$ 1,187,200</u>	<u>\$ 20,629,021</u>	<u>\$ (1,314,207)</u>	<u>\$ 1,314,207</u>	<u>\$ 20,629,021</u>

See Report of Independent Auditors.

SUPPLEMENTARY INFORMATION

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Schedule of Expenditures of Federal Awards

For the Year ended September 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
Federal appropriation:			
United States Department of Education			
American Printing House for the Blind	84.906	\$ -	\$ 33,162,337
Federal grant:			
United States Department of Education			
National Instructional Materials Access Center	84.327E	-	838,845
Total expenditures of federal awards		\$ -	\$ 34,001,182

See Report of Independent Auditors and the Notes to the Schedule of Expenditures of Federal Awards.

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Notes to the Schedule of Expenditures of Federal Awards

For the Year ended September 30, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

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

See Report of Independent Auditors.

**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***

Report of Independent Auditors

Board of Trustees
American Printing House for the Blind, Inc.
Louisville, Kentucky

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 consolidated financial statements of American Printing House for the Blind, Inc. and its subsidiary (the Organization), which comprise the consolidated statement of financial position as of September 30, 2021, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements), and have issued our report thereon dated February 14, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 entity'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.

Board of Trustees

American Printing House for the Blind, Inc.

Report of Independent Auditors on IC, Compliance and Other Matters in Accordance With GAS,
continued

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 financial statements. 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*.

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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky
February 14, 2022

Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by The Uniform Guidance

Report of Independent Auditors

Board of Trustees
American Printing House for the Blind, Inc.
Louisville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited American Printing House for the Blind, Inc.'s and its subsidiary's (the Organization) 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, 2021. The Organization's major federal programs are identified in the summary of auditors' 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, 2021.

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 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.

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky
February 14, 2022

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Schedule of Findings and Questioned Costs

Year ended September 30, 2021

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Type of auditors' report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) ☐ Yes ☒ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.906	American Printing House for the Blind

Dollar threshold used to distinguish between type A and type B programs: \$1,020,035

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

AMERICAN PRINTING HOUSE FOR THE BLIND, INC.

Schedule of Findings and Questioned Costs, continued

Year ended September 30, 2021

II. FINANCIAL STATEMENT FINDINGS

No matters reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters reported.